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HONGKONG'S TRADE

It seems that nothing can discourage Hongkong, either as an entrepot or, more recently, as a supplier of manufactured goods. This impression is accentuated by a study of the trade figures recently issued for 1950 ("Far Eastern Economic Review" for February 1, No. 5), which show that in spite of wars and rumours of wars Hongkong's trade in merchandise showed a healthy increase of 48% over 1949, the value being HK\$7,503 million (£469 million, US\$1,250 million) as compared with the previous year's \$5,068 million.

Hongkong might well be proud of this achievement. If any small trading community of something over two million inhabitants were able to stand up to the stresses and strains imposed upon it, from without through unprecedented difficulties in trading and from within through having to support unaided the thousands of refugees that poured into it when things went badly in China, it has been Hongkong.

Unfortunately, of late an added strain has been placed upon the Colony as a result of its inclusion by the United States Government in the embargo imposed upon the export of strategic materials to China. The impression given thereby that Hongkong is mainly engaged in providing China with the sinews of war, is not considered entirely justifiable. The Colony has served China in far better ways! No one would attempt to deny that materials that could be used for war purposes have been supplied to China through Hongkong. Apart, however, from the fact that this trade has been very considerably curtailed since the introduction of controls by the Hongkong authorities, it should be borne in mind that

China with its huge population of around 400 millions needs all the materials obtainable, whether classified as "strategic" or not, for purposes of rehabilitation and most exports from the Colony to its neighbour have been used in this way. Without the help of Hongkong in providing building materials, textiles, industrial equipment and so forth China,—which suffered heavily in the course of the Japanese invasion and from the civil war which ended by placing the communist party in power,—would have undergone even greater privations.

While appreciating to the full the efforts of the United States to bring the war in Korea to a close as soon as possible by preventing the despatch of war materials to the Chinese armies the consensus of opinion in Hongkong undoubtedly is that the local manufacturer has been the subject of unnecessarily harsh treatment. Should Hongkong be crippled industrially by the effect of the embargo, it would not only cause great hardship in the Colony and bring additional suffering to the people of China, but it would also affect the utility of the port in connection with air and sea communications, as well as docking and other facilities, which are open for use by all nations.

The manufacturers do not stand alone in this attitude. The trade unions also are gravely concerned at the situation that has arisen. Over the Chinese New Year the Hongkong & Kowloon Federation of Labour Unions added its protest to others against the strictness of the U.S. embargo upon shipments to Hongkong. The manifesto issued pointed out that the Colony was confronted with a grave economic

and social crisis as a result of the enforcement of the embargo order in December last, 50,000 workers being estimated to have been rendered unemployed through the closing down of factories following the difficulty in obtaining fresh supplies of raw materials.

Consequently the notification by the U.S. Consulate in Hongkong to the HK. Chinese Manufacturers' Union to the effect that all shipments of black sheets and tinplates off-loaded at various ports will now be released to the factories in the Colony, and the intimation that off-loaded cargoes of raw cotton and other materials would also be delivered in due course, have been doubly welcome, not only as a sign that the United States Government might be prepared to relax its controls where the Colony was concerned, but also as a recognition of Hongkong's growing importance as a manufacturing centre. This latter fact indeed is underlined by recent figures in regard to locally-made goods exported under Imperial Preference Certificate and Certificate of Origin, which show that in 1950 they reached an amount of HK\$196.6 million (£12.3 million, US\$33.9 million), and formed 5.3% of the Colony's total exports.

Analysis of Hongkong's trade figures for 1950 brings out the fact that while imports \$3,788 million increased by 37.7% over those for 1949 \$2,749 million, exports \$3,715 million rose by 60.2% over those of the previous year \$2,319 million. Textiles were the major export, amounting in value to \$1,023.7 million, a rise of 63.4% over 1949 \$626.5, and accounting for 27.5% of the Colony's total exports; imports of textiles, on the other hand, showed an increase of only 46.3%

ECONOMIC REVIEW OF CEYLON

On February 4, 1951, Ceylon began its fourth year of political independence as a self-governing member of the Commonwealth of Nations. At the beginning and during 1949, the year with which the following review is dealing, the Government underlined the importance of economic independence. The Prime Minister on Independence Day 1949 stressed the need for a stable and progressive economy. The Ministry of Agriculture began its food drive to lessen the dependence of the country on imported foodstuffs, and the Gal Oya multipurpose project which would control floods and irrigation for 120,000 acres of paddy land was initiated. The Ministry of Industries obtained the adoption by Parliament and the approval of GATT countries for a measure designed to protect infant industries. New industrial projects were begun (cement) or considered (textiles, tires, fertilizers). The Ministry of Finance in its 1949-50 budget proposed a plan for dealing with unemployment. Import controls imposed in 1948 were tightened in part as a result of a sterling-assets agreement with the United Kingdom and in part to protect against an asserted worsening of its balance of trade and payments position.

The Ministry of Commerce and Trade inaugurated a program to Ceylonize channels of foreign trade, now largely in British and Indian hands. The process of placing Ceylonese people in agriculture, industry, and labor is to be hastened. New lands are to be reserved for Ceylon citizens. The general trend of industrial development policy is to insist on Ceylonese

participation, governmental and private. A Central Bank is to have supervisory powers over private banks, which are principally foreign owned and controlled. Early training in Sinhalese and Tamil are important parts of the new educational program.

The drive for self-sufficiency which characterized so many aspects of Ceylon's economy was motivated in varying degrees by nationalist ambitions, by a fresh awareness and growing concern over a rapidly increasing population, by a desire to combat the aggressive tactics of the Marxist parties which clamored for an end of poverty, and by neighboring India's example of economic nationalism.

The ambition of the Government to achieve stability and the obvious dependence of Ceylon on foreign markets tempered somewhat the ambition for self-sufficiency. Generally low prices for rubber during 1949 resulted in demands for a bilateral rubber agreement with the United States or an international commodity agreement which would ensure future prices at levels sufficient to cover Ceylon's admittedly high costs of production. A tea agreement was entered into with the United Kingdom, which is Ceylon's principal market. Difficulties over the future of an assured market for coconut products caused some concern, but this was eased by the continued high prices in Ceylon's free market for coconut oil. An important group of British officials were retained in Government positions. The services of three American advisers in airport construction, banking, and irrigation engineering were engaged. Numerous

experts from India, the United Kingdom, and continental countries visited the island and contributed plans and programs. An agreement with the United Kingdom gave the British Broadcasting Co. control of the important hours on Ceylon's powerful radio station.

Although Ceylon did not conceal disappointment in the failure of the United Nations to elect her to membership nor anger with the USSR for vetoing her application, the Government continued its membership and participation in FAO, GATT, ECAFE, and the ILO. It became a member of the World Health Organization, and membership in the International Monetary Fund and Bank was under discussion. Ceylon played host to an ILO Asian factory inspection meeting in 1949 and to the Commonwealth Foreign Ministers' Conference held in Colombo in January 1950 and the Asian ILO Conference in Nuwara Eliya in the latter part of that month.

Estimates in 1949 indicated that the annual rate of population increase in the island, previously thought to be about 100,000, is in fact close to 200,000. This higher rate of increase is officially attributed to the fact that the death rate in 1949 was the lowest in the history of Ceylon.

The rapid rise in population has been presented by the Government as the imperative reason for increased food production. In particular it has supported capital expenditures to increase rice cultivation sufficiently to match the growth in population. The

over 1949, the figures being \$777.6 million compared with \$531.5 million. This excess of \$246.1 million in exports of textiles compared with imports, is accounted for by local manufactures.

In 1949, China (including Macao) took over 23% of Hongkong's total trade the value being \$1,178.2 million; last year the value rose to \$2,631.8 million or 35.2% of the total. The U.S.A., as usual, came

next with trade valued at \$963.9 million compared with \$809.8 million in 1949, an increase of 19%, and the United Kingdom third with \$573 million as against \$527.4 million.

HONGKONG'S TRADE IN 1947, 1948, 1949 AND 1950

(Value in Thousands of Hongkong Dollars and Percentage of Hongkong's Trade for the year.)

Country	1947		1948		1949		1950	
	Value	%	Value	%	Value	%	Value	%
China	449.0	16.2	710.8	19.4	1,178.2	23.2	2,319.0	30.9
North China	118.7	4.3	254.0	6.9	521.6	10.3	1,032.9	13.7
Central China	74.3	2.6	99.4	2.7	216.1	4.3	497.4	6.6
South China	256.0	9.3	357.4	9.8	440.5	8.6	788.7	10.5
China plus Macao	602.2	21.8	936.2	25.6	1,524.3	30.0	2,631.8	35.2
U. S. A.	750.5	27.2	539.8	14.6	809.8	16.0	963.9	12.8
U. K.	202.7	7.3	375.9	10.2	527.4	10.4	573.0	7.6
Malaya	316.6	11.4	285.3	7.8	348.2	6.9	843.0	11.2
Macao	153.2	5.5	225.4	6.2	346.1	6.8	312.8	4.2
Thailand	146.5	5.3	236.3	6.5	226.0	4.5	280.6	3.7
Korea	—	—	99.8	2.7	215.7	4.3	73.0	0.9
North Korea	—	—	—	—	104.2	2.1	27.0	0.4
South Korea	—	—	99.8	2.7	111.5	2.2	46.0	0.6
Japan	51.9	1.9	128.1	3.6	150.9	3.0	350.6	4.7
All other Countries	1,112.9	36.5	1,344.1	36.5	1,614.9	31.8	1,787.3	23.9
Total All Countries	2,766.7	100.0	3,660.2	100.0	5,069.0	100.0	7,503.2	100.0

Ministry of Agriculture estimates that about 25,000 acres of new paddy land will have to be put under cultivation each year in order to meet the food requirements of the increasing population if the country is not to resort to larger imports of rice.

Although the rise in population is commonly attributed to the considerable diminution of epidemic diseases such as malaria and to other improvements in public health services, these services have been under continued fire. An Australian public health official was brought to Ceylon in 1949 to make recommendations for improvement. His report, was followed by a general controversy over the adequacy of public health facilities.

A Food and Drugs Act was passed by Parliament but the Government has not put it into effect, chiefly on the ground that it would injure small tradesmen.

Economic issues were manifest in legislation passed by Parliament on citizenship and immigration. The

Minister of Finance asserted publicly that immigration from India would have to be halted in order to assure the full employment of Ceylonese. Large-scale smuggling of immigrants from India to Ceylon is alleged by local newspapers.

The vital point of Ceylon's economy centers around its production and trade in tea, rubber, and coconuts. These products in 1949 as in past years represented about 85 percent of its export trade.

Since Ceylon is a plantation economy it is not likely to experience the rapid expansion which sometime characterizes highly industrialized countries. In 1949 there were, nevertheless, perceptible signs of progress. The level of total trade was about 10 percent higher than in 1948, itself a peak year for exports and imports. The terms of trade improved. The favorable balance of merchandise trade was about twice that of 1948. On the other hand, official figures indicate that Ceylon had an unfavorable balance of

payments on current account in 1949 as against a favorable balance in 1948.

National income in 1949 rose above that in 1948. There were more automobiles, trucks, radios, and telephones in the island in 1949 than in any previous year, and the annual rate at which radios and telephones, in particular, were acquired rose.

There was no significant change during 1949 in Ceylon's dependence on supplies from other countries for clothing and foodstuffs. Textiles represented 14 percent of the imports. Foreign capital is said to have been interested in the establishment of a textile mill, but these plans may have been halted by the announced policy of the Government that it wished to encourage textile production by its cottage industries and because of a proposal to establish a Government textile mill. Foodstuffs represented about 40 percent of the imports, and included nearly 400,000 tons of rice from Burma and other sources. Ceylon must continue to import rice at that rate since the goal of the drive to increase food production initiated during 1949 is to meet the demands arising from population growth.

The small industries which were born during the war appeared to make no appreciable progress over the preceding year. According to the local press, they were hit by lay-offs and lack of supplies, and there were charges of mismanagement. A cement factory begun in 1948 was still in the process of completion in 1949. Plans for a rubber tire factory to be built with local funds, private, and governmental, as well as with American capital, were being discussed. Proposed unpublished reforms in the fisheries industry suggested by Danish experts, but not set forth in a formal report, were the subject of much controversy.

Significant mineral production in 1949 was limited as in previous years to graphite, precious and semiprecious gem stones, and salt. Of these, only salt was produced for Ceylonese consumption. Larger quantities of petroleum were imported and consumed in 1949 than in 1948.

In 1949 as in 1948, Government revenue exceeded expenditures except for the operation of the railroads. Revenue continued to be drawn largely from customs duties on exports and imports. The largest expenditures provided for in the 1949-50 budget were, in order of importance, for transport and works, public health, and education. Defense expenditures, although larger than in the 1948-49 budget, were still very small.

The keynote of the Finance Minister's budget speech was full employment. Figures on national expenditure and national income were set up as targets for the fiscal year 1949-50. The 6-year plan idea propounded in the previous budget speech was touched on incidentally and seems to have

THE CHINESE IN CEYLON

Contacts between Ceylon and China occurred in ancient times when the port of Galle was visited by Chinese traders (as well as by Arabs, Egyptians, Persians, Greeks, Romans etc.). About 400 A.D. an embassy from Ceylon arrived in China (in the reign of emperor Nyan-ti) and more frequent commercial intercourse between the two countries developed. Chinese Buddhists always regarded Ceylon as the holy country of the faith and many pilgrims, over the ages, wended their way to Sri Lanka (as the new Dominion is now officially known) where they worshipped at many shrines and ascended the sacred Adam's Peak (where, according to the Moslems, the Chinese and the Sinhalese, the first man appeared).

There are no indications that any Chinese ever settled in Ceylon except in modern times. While other overseas Chinese communities' histories are well known the small number of Chinese living in Ceylon has not been found of sufficient interest to be made the subject of a study.

The Chinese now living in Colombo and a few other cities of Ceylon are mostly immigrants, only a few having been born in Ceylon (though the government does not recognise them as citizens of Lanka). The total number of Chinese is at present 240 men (of over 22 years) and 70 women and children; more than 90% are natives of Shantung (from villages near Tsingtao and Tsinan), a few came from Hopedi while only a score or so are from Kwangtung (from Swatow, speaking the Chiuchow dialect, and from Chungshan, the district north of Macao). Elsewhere Chinese immigrants hail from South China (Kwangtung and southern Fukien); the Ceylon Chinese are therefore a unique group of overseas Chinese.

The leading organization of the Ceylon Chinese is the "Shantung Chinese Association of Ceylon." The small community is carrying on retail business and some foreign trade; there are a few Chinese owned restaurants in Colombo; in the country some Chinese peddle their goods in competition with Moorish and Indian itinerant hawkers. Less than half of the Chinese live and work in Colombo, the rest is found in other towns and in the country.

On the whole, the community is doing well, and a few have made good. Almost all Chinese in Ceylon possess no papers and are therefore unable to travel. A few would like to return to China, to do business there or to retire. The use of English is common to all traderspeople and thus the Chinese all speak English; otherwise they speak one or two vernaculars (Sinhalese, Tamil) though with less fluency than English.

Unlike the overseas Chinese in other Asian countries, the Ceylon Chinese do not take an interest in politics with the exception of a few young men who are sympathizing with the communists of the 4th international variety (Lanka Sama Samaja, the party which recently combined two communist groups, but communist groups, but being antagonistic to the Stalinists, or the communist party of Ceylon). As almost all Chinese in Ceylon are members of the middle class, their attitude towards the prevailing political system in their country is anything but friendly. The government of Ceylon and the people of that island are very friendly disposed towards the Chinese as well as the Japanese (particularly so in the latter case as the majority of the Japanese are Buddhists) and do not debar them from entering the country.

figured less in the Government's budgetary plans except in the field of agricultural development projects.

The cost-of-living indices compiled by the Government for the Colombo working class and for estate workers as bases for estimating cost-of-living (dearness) allowances advanced slightly but there was some feeling that the indices did not adequately reflect increases in living costs.

Basic wages of rubber workers were slashed 35 percent in the middle of 1949 when Ceylon rubber fell below 50 Ceylon cents a pound but were restored to their previous levels when rubber prices rose. The number of strikes increased in 1949 over 1948 and the loss of man-hours was appreciably larger. Trade union membership fell below 1948, although a larger number of small unions were registered, in 1949 than in the preceding year.

A study of Ceylon's transportation system was undertaken and completed in 1949. The Government began to put some of the recommendations into effect. The Civil Aviation Department entered into a managerial contract with the Australian National Airways to operate Air Ceylon and to inaugurate an international service between Colombo, London, and Australia. Plans for improvements in the railways and development of the Port of Colombo were in the making.

PRODUCTION

Agricultural

Ceylon is basically an agricultural country with a plantation economy. The returns from the export of the cash crops produced are used to purchase foodstuffs to supplement the insufficient food crops in the island. In 1949 the essential character of this economy was unchanged. The export of cash crops increased but so did the importation of foodstuffs.

Because of Ceylon's need to import nearly two-thirds of its foodstuffs, much thought has been given in the last several years to the best means of increasing local food production and of buying food imports at cheaper prices. Because of continued unrest in Burma where Ceylon obtains rice, the Government put on a strong drive to produce food locally.

The 6-year plan launched in the 1948-49 budget speech of the Finance Minister was essentially a plan to increase land acreage for food crops. A series of irrigation and flood-control programs were developed. Other programs for which preliminary plans have been made will provide irrigation for another 120,000 acres. It is also thought possible that Ceylon's largest river, the Mahaweli Ganga, can be controlled to provide irrigation for at least an additional 125,000 acres.

In addition to the work done on small irrigation projects, the main accomplishment during 1949 was the

breaking of ground at the Gal Oya Dam in the Eastern Province. When completed the Gal Oya Dam will provide a regular water supply for approximately 120,000 acres. Irrigation and flood-control facilities and a small hydro plant are to be constructed. It is also intended to provide housing and farm land for an additional 250,000 people to live in this portion of the island. The Gal Oya Development Board was established during the year to carry out these programs, but its work has been hampered by the lack of engineering and other technical assistance. The Board is looking into the possibilities of producing sugar and cotton as well as paddy in this area.

The Government has long recognized that landless rural workers or tenant farmers especially in the wet zone can hardly make a livelihood. The Parliament passed a land acquisition act during the year to make it easier, quicker, and less expensive for the Government to acquire land on which to resettle agricultural workers and to organize farm production on the newly acquired land on a cooperative basis. The Government also introduced into Parliament a bill under which the Government could take over neglected paddy land and provide safeguards against the exploitation of tenants by land owners.

The Minister of Agriculture said in December 1949 that, according to recent surveys, total rice production amounts to only 40 percent of local requirements. A principal factor of the national food production drive in 1950, he said will be to redouble efforts to bring more land under cultivation as well as to increase the yield per acre. Encouragement to cultivators and farmers is to be provided chiefly through cooperative agricultural production and sales societies.

Throughout the year there were complaints about the inability of the fishing industries to produce enough fish for local consumption at fair prices. A group of Danish experts came to the island in 1949 to propose ways of rehabilitating the fishing industry but it is reported the changes they suggested have met with opposition from fishermen.

Tea.—In 1949 tea exports, which contribute more than one-half the value of Ceylon's exports, amounted to 297,574,000 pounds, a record figure. As in 1948, the exports consisted entirely of black tea. The export of green tea, which had steadily declined since the war years, is now wholly stopped.

The average Colombo price of tea per pound in 1949 was 2.18 rupees as compared with 1.99 rupees in the preceding year—an increase of 19 Ceylon cents per pound. Local market analysts attribute the high price of tea in 1949 largely to the United Kingdom's bulk purchase of tea from India, Ceylon, and Pakistan. They also claim that

devaluation of the pound sterling tended to raise prices. It is pointed out that in a Colombo November auction sale an average price of over 3 rupees per pound of tea was obtained. Many traders consider that Colombo prices were artificially high. It is alleged, on the other hand, that tea remained at or below its predevaluation dollar level while the coffee consumed in dollar areas made a greater price advance than did tea. Tea prices are likely to rise in the future because of increasing costs of production. High prices are not universally welcomed by producers, who fear that current prices will lead to demands for higher wages.

During the year the Tea Bureau, to which Ceylon tea producers contribute, initiated its tea campaign in the United States in cooperation with the National Restaurant Association and other American business organizations.

There was some conversion of uneconomical rubber land to tea in 1949, but no figures are available on the extent of the conversions.

The tea cess was increased from 39 rupees per 100 pound to 39.45 rupees. Tea duties are the major source of governmental income and the largest single source of customs revenue.

Coconut products.—Coconut planting occupies the largest single crop acreage in Ceylon. According to the latest estimate, 1,075,000 acres were planted in coconuts in 1949. There are no published figures on coconut production. About one-half of the crop is presumed to be exported and the other half is locally consumed. On this basis, production in 1949 was in the neighborhood of 2,000,000,000 nuts. Higher prices for coconut oil and copra may have stimulated exports and curtailed local consumption. The Government subsidized the sale of nuts to local consumers through cooperatives.

Ownership of coconut-producing lands is much more widely diffused than in the case of tea or rubber, and local consumers more likely to be affected by price changes. Table 1 shows the quantity and value of coconut products exported in 1949. Except for copra, the 1949 export exceeded all previous records.

About half of the exportable surplus of copra and coconut oil went to the United Kingdom and Pakistan under an agreement which terminated in December 1949. The remainder was sold at openmarket prices which were considerably higher than those paid under the agreement. The free-market price for coconut oil averaged about 1,500 rupees per ton and for copra, about 221.95 rupees per candy of 5 cwt. Contract prices during 1949 were 1,021.75 rupees for coconut oil and 150 rupees for copra.

TABLE 1.—EXPORTS OF COCONUT PRODUCTS, 1949

(Quantity in thousands of cwt. of 112 lb., except as indicated; value in rupees)		
Product	Quantity	Value
Copra	431.0	21,597
Coconut oil	1,784.0	121,327
Desiccated coconut	312.0	25,500
Fresh coconuts (number) ..	12,897.0	4,584
Coconut poonac	172.0	1,635
Copra fiber mattress	645.0	8,470
Copra fiber bristle	188.0	4,591
Copra yarn	56.8	2,130
Shell charcoal	29.3	155
Other copra products	11.4	439
Total value	—	430

Prior to the expiration of the United Kingdom copra-coconut oil contract efforts to reach agreement on the renewal of the contract failed because of differences over the new contract price. Ceylon wanted better prices in view of the high level of prices prevailing in the free market.

Significant changes occurred in 1949 from previous years in the relative amounts of coconut products exported. Table 2 shows the percent distribution—in relation to their total—of the exports of four types of coconut products.

TABLE 2.—DISTRIBUTION, IN RELATION TO THEIR TOTAL, OF EXPORTS OF FOUR COCONUT PRODUCTS, 1943-49

	(In percent)			
	Oil	Copra	Desiccated	Nuts
1943-46	38.3	55.3	4.1	2.3
1947	59.7	25.8	13.8	.7
1948	62.9	27.8	8.3	1.0
1949	75.8	11.3	11.6	1.3

Except in the war years there has been a steady increase in the exports of coconut oil with a corresponding decrease in the exports of copra. This, coupled with the fact that the exports of poonac (not shown in the table) are only about a quarter of prewar tonnage, means that Ceylon's consumption of poonac used as cattle food is progressively increasing. The large local consumption of poonac also increases the supply of fertilizers. The bulk of 8,582 tons of poonac exported went to the Netherlands, France, Denmark, and Belgium.

In May 1949, the Ceylon Coconut Board was commissioned to investigate and report on the coconut industry and to make recommendations for its relief and rehabilitation. The report was published in October 1949 but no action has yet been taken on the principal recommendation of the Commission that the industry should operate under an autonomous central board. (The Government proposed in its stead that industrial research on coconut products be made a function of departments under the Ministry of Industries, while the Ministry of Agriculture and Lands be responsible for replanting and research and other agricultural problems of the industry.

Rubber.—Ceylon's rubber industry has in certain years been its largest dollar earner, but this place went to

tea in 1949. The average customs value per pound of rubber was 62.9 cents, somewhat lower than the 1948 price. When prices were at their lowest in the middle of the year, some estates went out of production and there was general discussion of the need for a lowering of production costs. The low prices also added to the demand from producers that Ceylon and the United States conclude a bilateral agreement for support prices to cover at least a portion of Ceylon's rubber output or that an international commodity agreement among rubber-producing countries be drawn up. In September the price improved consequent on both devaluation and an increase in demand. The estates which had been temporarily discarded were brought back into production. Total output was 89,500 tons, a decrease of 5,500 tons from the preceding year. Rubber exports at 87,121 tons were 4,735 tons smaller than in 1948.

According to the customs returns, the United States was the largest buyer, purchasing 38,603 tons. This amount was 44 percent of the total exported, but was nearly 11,000 tons less than in 1948. The United Kingdom as the second best customer bought 16,106 tons (18 percent) in 1949 as against 19,058 in 1948. Germany, Italy, and Canada each purchased over 4,000 tons.

The Government and rubber producers inaugurated plans for replanting, and strenuous efforts were made to increase the production of crepe and latex, which during most of the year was bringing premium prices. The production of latex, however, remained at low levels in part because of the large capital investments required.

During 1949 the Government endeavored to carry out the recommendation of the 1947 rubber commission, which had proposed the elimination of 175,000 acres, or about one-third of Ceylon's rubber acreage, as uneconomic. Parliament passed legislation which, when enforced, will enable some of the uneconomic rubber land to be converted to cocoa and paddy and will provide credits for the capital outlay required to replant the land with budded or clonal rubber.

Industrial

Industries in Ceylon comprise a group of small Government factories, cottage industries, a number of industrial plants which process tea, rubber, and coconuts, and a few privately owned cigarette, cigar, and soap factories and a textile mill. In order to meet local needs during the war and more recently to use local raw materials and to provide greater employment, the Government of Ceylon has continued to operate small factories producing paper, ceramics, plywood, certain iron and steel products, acetic acid, leather, glass, shark liver oil, and coir. In addition, the Government has projected a cement factory, an

enlarged paper mill, fertilizer plant, fire factory, sugar factory, and textile mills.

Production figures on the operating plants have not been published for several years. It is generally understood that none of the small Government-owned factories make large profits, and some of them are said to be operating at a deficit. The soap and tobacco factories and the textile mills produce for the local market.

The latest information about cottage industries indicates that there are about 800 institutional centers and workshops that teach workers and produce cottage-industry goods, chiefly in the field of textiles. The carpentry workshops are said to have supplied 5,000,000 rupees' worth of furniture to the Department of Education and other Government agencies.

Cement.—Ceylon's cement requirements for construction work represent a modest item in her import trade, but were higher in 1949 than in either 1947 or 1948. Imports of cement in 1949 totaled 137,233 tons, valued at 13,203,635 rupees, and came from the United Kingdom, Germany, and Belgium. The average customs value ran to 96.21 rupees per long ton.

A cement factory which has been in the process of building for over a year is scheduled to open soon. When the factory, said to have a capacity of 100,000 tons annually, does begin operations, the import picture will be considerably altered.

Fertilizers.—The size and cost of fertilizer imports and the urgent need for more fertilizers to increase food production spurred plans to establish an ammonium sulfate factory. The plans developed in 1949 called for a plant which would produce about 80,000 tons per year.

Mineral

In 1949 as in previous years, Ceylon produced, for export only, graphite and gem stones in commercial quantities. For the first time in many years, the United States took second place to the United Kingdom as a market for Ceylon graphite. Plans for the production of ilmenite were pushed but without definite issue. Local newspapers reported the discovery of deposits of thorium and monazite. Ceylon continued throughout the year on an import basis with respect to petroleum products, coal, iron and steel, aluminum, and fertilizers but was self-sufficient in salt production.

Graphite.—The year's exports of graphite, which are virtually identical with production, amounted to 12,240 long tons. This amount was about 10 percent below exports in 1948.

In an address to the Ceylon Association of Science in December 1949, the Government Mineralogist stated that Ceylon's graphite deposits are the biggest and most productive in the

world. From a geological point of view, he felt it could safely be stated that Ceylon's reserves of graphite exceed any possible export requirement for many decades.

Precious gems.—Ceylon's gem trade has been on the increase in postwar years. However, exports by parcel post in 1949, valued at 1,026,534 rupees, were lower than such exports in 1948.

Local newspaper accounts in 1949 reported tourist criticisms to the effect that some of the gem dealers were unscrupulous. A local gem dealer, upon his return to Ceylon, reported that there was general dissatisfaction abroad with existing methods of Ceylon stone cutting.

Iron ore.—An official estimate places deposits of iron ore at 6,000,000 tons. The ore is said to average 52 percent Fe₂O₃ and have slight traces of phosphorus. The deposits are near the surface in an area about 50 miles from Colombo. In 1949, the Ministry of Industries brought several experts to the island to discuss plans for the erection of a small steel plant which would use both ore from the deposits and local accumulations of scrap. Coal and other raw materials for the plant would have to be imported. At the present time hydroelectric power is not available. The Government has banned the export of ferrous scrap in order to conserve these materials for possible future use.

In 1949 Ceylon spent 33,785,801 rupees on imports of iron and steel and their manufactures. This value was some 10,000,000 rupees higher than that of 1948 imports. The Ministry of Industries hopes to produce enough iron and steel products locally to replace a large portion of these import requirements. The Government now operates a small iron and steel factory near Colombo which is said to have a capacity of about 5,000 tons of rolled steel per year. Production in 1948 totaled slightly over 1,000 tons. No figures on 1949 production are available. Some of the steel produced by this mill is being used in the erection of the Government cement factory.

Salt.—Ceylon has been self-sufficient in salt. Production in 1949 amounted to 28,325 tons, and in 1948 to about 77,429 tons.

Coal.—Coal is imported for local power and fuel consumption and also reexported for bunkering. Imports totaled 310,680 tons in 1949, or about 10 percent less than in 1948. Nearly all of the coal came from India, with small tonnages from the United Kingdom and Australia. Exports of coal, almost exclusively for bunkering, amounted to 109,136 tons in 1949.

Kaolin.—Large deposits of kaolin, amounting to at least 6,000,000 tons, are said to exist just outside of Colombo. Exploitation of this deposit in 1949 yielded only 12 tons. The kaolin is used in the Government-owned cera-

mic factory. Reorganization and modernization of the plant were under discussion during the year.

Petroleum products.—Ceylon's imports of petroleum products, excluding asphalt, amounted to 203,269,065 imperial gallons in 1949. The Persian Gulf supplied all of the kerosene and virtually all of the gasoline and fuel oil. Most of the furnace oil came from Bahrain and Iran and some quantities, from British North Borneo, Sarawak, and Borneo. Most of the fuel oil was reexported as bunkering fuel. The bulk of the Diesel oil came from British North Borneo, Malaya, and Sarawak and the rest came from the Persian Gulf. About half of the Diesel oil imports were reexported for bunkering.

The United States continued in 1949 to supply over half of Ceylon's requirement for lubricating oils. Imports of asphalt, nearly all from Iran, amounted to 12,558 tons.

TRADE

Foreign

In 1949, for the first time, the value of Ceylon's imports and exports each exceeded 1,000,000,000 rupees. Total imports were 1,028,843,449 rupees as compared with 985,373,832 rupees in 1948. Domestic exports amounted to 1,005,738,312 rupees as compared with 937,723,121 rupees in 1948. The value of reexports, however, declined to 58,000,000 rupees from 73,000,000 in 1948. The percentage increase in exports over 1948 was 7.3 and for imports, 3.5.

There was a positive visible balance of trade in 1949 of 33,700,000 rupees, compared with 16,700,000 rupees in 1948.

Table 3 shows the visible trade balances excluding bullion and specie in the 2 years 1948-49.

TABLE 3.—CEYLON'S TRADE BALANCES FOR 1948 AND 1949
(Thousands of rupees)

Year	Imports*	Exports†	Reexports‡	Total exports‡	Visible balance of trade
1948	994,008	937,723	71,134	1,011,176	+ 16,774
1949	1,028,843	1,005,738	54,778	1,064,148	+ 33,760

* Includes postal articles.

† Includes value of stores supplied to vessels.

‡ Includes value of postal articles and stores supplied to vessels.

Even before the end of 1949 it was evident that there would be a positive balance of trade. This situation gave rise to public discussion concerning the possibility of removing import controls. However, in view of Ceylon's obligation to keep dollar imports down and the fact that the payments position was unfavorable, controls could not be removed wholesale. In early 1950 import controls were removed on a large number of items from softcurrency countries but retained on items from hard-currency countries.

Exports to the United States and Canada in 1949 were by value only

about two-thirds of the 1948 total, while imports from these countries increased.

In 1949, as in other years, the bulk of Ceylon's trade was with Commonwealth countries, principally the United Kingdom, India, and Australia. Ceylon obtained about 55 percent of its imports from these countries, and they in turn provided a market for about 60 percent of Ceylon's cash crops and other exports. While there has been a substantial increase in trade with European countries in recent years, total trade with these countries still represents less than 10 percent of Ceylon's entire trade. Ceylon has not yet established trade or other official representation on the European continent, but has indicated a desire to enter into bilateral trade agreements with some European countries. Czechoslovak and Yugoslav trade missions visited Ceylon during 1949 to discuss possibilities of trade agreements.

About 35 percent of Ceylon's imports in 1949 came from Asian countries, but these countries took only about 5 percent of the exports. Ceylon is a participant in the Sterling Area Trade Agreement with Japan and has recently concluded an agreement with India which sets up goals for the volume of trade between participants. Ceylon obtains most of its rice from Burma and small quantities of cheap textiles from India and Japan.

The principal trade with the Near East and Africa consists of exports of tea to Arab countries.

The United States was Ceylon's second best customer in 1949, and sold to Ceylon a quantity of textiles, pharmaceuticals, agricultural machinery, and tobacco. There is a very small volume of trade with other American Republics. Canada's imports from Cey-

lon tea and rubber and in return exports wheat and tea chests.

Table 4 gives index numbers for the volume and prices of trade for the years 1938 and 1947-49.

TABLE 4.—INDEX NUMBERS FOR THE VOLUME AND PRICES OF CEYLON'S TRADE, 1938 AND 1947-49
(1934-38=100)

Year	Import volume	Export volume	Import price	Export price
1938	98	103	102	96
1947	108	118	413	300
1948	110	129	443	305
1949	119	128	423	324

TABLE 5.—PRINCIPAL COMMODITIES EXPORTED, 1948-49
(In thousands)

Commodity and class	Quantity		Value (rupees)		
	1948	1949	1948	1949	
Food, drink and tobacco:					
Tea	lb. ..	296,000	297,873	590,271	649,845
Desiccated coconut	cwt. ..	236	312	25,245	25,500
Fresh coconuts	number ..	9,387	12,897	1,948	4,584
Cacao	cwt. ..	46	54	7,031	5,999
Arecanuts	do. ..	100	75	4,405	3,292
Cinnamon	do. ..	37	68	3,866	4,999
Tobacco, unmanufactured	lb. ..	1,037	-950	1,509	1,297
Raw materials:					
Rubber	lb. ..	205,803	195,152	141,619	122,862
Coconut oil	cwt. ..	1,515	1,784	84,661	121,327
Copra	do. ..	1,089	431	42,191	21,567
Coir fiber (bristle and mattress) ..	do. ..	654	833	8,386	13,061
Graphite	do. ..	279	245	6,734	6,381
Citronella oil	lb. ..	1,568	1,663	3,338	4,568
Cinnamon oil (leaf and bark)	oz. ..	1,484	1,492	681	469
Kapok	cwt. ..	20	13	2,297	1,672
Papain	lb. ..	133	120	1,180	638

Since export prices rose in 1949 while import prices fell the terms of trade improved in Ceylon's favor; however, the terms are still adverse in relation to the base period 1934-38.

The increase in the value of Ceylon's exports in 1949 was reflected in all the principal classes of exports. The largest was the increase of nearly 65,250,000 rupees in exports of food, drink and tobacco. This rise was mainly due to an increase of nearly 60,000,000 rupees in the value of tea exports during 1949. Table 5 shows the movements of the principal export commodities during 1948 and 1949.

Ceylon's principal export markets in 1949 were the Commonwealth countries, which took 60 percent of the total—the United Kingdom took 33 percent. The United States took 114,591,000 rupees, or about 50,000,000 rupees less than in 1948.

The principal suppliers to Ceylon and the amounts, in rupees, were: The United Kingdom, 185,304,388; Burma, 153,010,255; India, 152,553,913; Australia, 102,055,048; and the United States, 72,991,063.

Trade Controls

Import controls were made more stringent in 1949. Under the 1949 sterling-assets agreement negotiated with the United Kingdom in August, Ceylon agreed to limit its dollar imports to 75 percent of its 1948 dollar expenditure. This meant that a limit of \$18,000,000 was placed on the importation of goods from the United States and Canada in the control year July 1, 1949, to June 30, 1950.

The import and exchange controls used to carry out the sterling agreement substantially limited dollar imports of some commodities in the last 4 or 5 months of 1949.

Exchange controls were tightened at the end of 1949 by limiting remittances to India of the Indian Tamils living and working on the island. Export licensing is employed to control coconut exports.

Under terms agreed to by the signatories of the General Agreement on Tariffs and Trade, 13 of Ceylon's industries are to be protected by the Industrial Products Act. This act,

when it goes into full effect, will limit imports of specified locally produced goods to the difference between total consumption and domestic production. Some of the local products to be protected are glassware, earthenware, rubber goods, tea chests, ink, leather goods, and rolled steel sections.

In 1949 as in other years the principal state trading operations were limited to the purchase of foodstuffs, especially rice. Proposals to control rubber exports through Government channels were not adopted.

In 1948 the Ceylon Government established its own staff to take over the functions entrusted to the Crown Agents who had previously performed important services in the procuring and shipping of goods for the use of the Ceylon Government and private importers. During 1949 the Government of Ceylon announced that it intended to give to the Crown Agents the tasks that had been earlier given to the Ceylon High Commissioner in London.

During 1949 the Government announced its intention to set aside a large percentage of import licenses for newcomers to the trade. This measure was intended to encourage Ceylon citizens and Ceylon firms to establish themselves or to obtain a firmer place in the island's foreign trade. Foreign traders expressed dissatisfaction with this program, and charges were freely made that licenses were being sold by newcomers to established foreign traders.

FINANCE AND BANKING

Ceylon's fiscal year begins on October 1 and ends on September 30. In July 1948 the Minister of Finance presented the first budget of the newly independent country. In his budget speech the Minister outlined a 6-year plan for the economic development of the island. In his second budget speech, in July 1949, the Minister took as his central theme a proposal to "maintain a high and stable level of employment." To achieve this goal he declared that "out of the national income a sufficient amount must be spent to enable the wages of the whole working community to be paid."

National income for fiscal 1950 was estimated at 2,323,000,000 rupees, which is 330 rupees per capita. The major changes anticipated in the distribution of national income for fiscal 1950 as against the calendar year 1948 were a smaller income from exports and a larger income from locally produced goods.

Tax proposals embodied in the budget speech and put into effect by subsequent legislation aimed generally at the encouragement and improvement of local agriculture and industries, including housing, through reduced income taxes and lower import duties. Income tax rates on the lowest incomes were reduced from 1½ percent to 1. Income tax reductions were made on new housing and on certain types of new plant and machinery to be used for industrial and agricultural purposes. The loss of revenue from tax reductions was made up by an increased tax on betting. In fiscal 1950, 60 percent of the revenue is expected to come from customs duties and 20 percent from income taxes.

On December 31, 1949, at the close of the first quarter under the 1950 budget, the Treasury estimated that taxes had exceeded expenditures by about 34,000,000 rupees. However, this estimate includes only expenditures on current account and does not include expenditures made from loans (a type of expenditure to which the Government has increasingly resorted).

Expenditures on current account in fiscal 1950 were calculated at 563,511,322 rupees, which represent an increase of about 30,000,000 rupees over the preceding year. The 1950 and the 1949 budgets were kept in balance by allocating some current expenditures to loan funds. The Government proposed to finance the 6-year plan, which called for current expenditures during 1949 and 1950, by seeking a loan for 168,000,000 rupees.

Some of the current expenditures provided for in the 1950 budget are for education, 17 percent; health and local government, 17 percent; finance, including pensions and debt service, 16 percent; and transport and works, 12 percent. Defense expenditures are still very small but may be expected to increase in view of the program now under way to establish a small armed force.

The national debt at the end of fiscal year 1949 amounted to slightly over 500,000,000 rupees.

Savings deposits in Government depositories at the end of 1949 were estimated at 222,200,000 rupees, or about 7,000,000 rupees more than in 1948. Government loans included in the above figure increased from 24,000,000 rupees in 1948 to 65,600,000 in 1949. The latter figure represents a loan subscription opened in February 1949 and invested in a 2½-percent 1959-64 loan and in a 3-percent 1967-74 loan. The national savings movement resulted in increases in the Post

Office Savings Bank deposits and a larger investment in the 1949 loan than in the 1948 loan, but withdrawals were larger than deposits in the Ceylon Savings Bank and greater than sales of saving certificates.

Two of the most important developments in the field of money and banking in 1949 were the passage of a Central Bank law (Monetary Law) and devaluation of the rupee.

The Government at the end of 1949 enacted legislation establishing a Central Bank which opened in 1950. The Central Bank will enable the Government to control credit facilities and to direct credits into uses which will better promote national economic development. The present private banking system is made up almost entirely of British and Indian banks. They receive deposits and limit themselves principally to financing foreign trade. Commercial bank funds are now invested to some extent in Government of Ceylon securities and other local loans.

The Ceylon rupee was devalued in September at the same time the pound sterling was devalued and in the same ratio as the pound. The new par value of the rupee was fixed at 2.88 grains of fine gold or 4.77 rupees for the dollar. The Ceylon rupee, which had previously been tied to the Indian rupee, was divorced from that currency. After devaluation, exports to dollar countries rose and imports declined. This change was brought about by import limitation on dollar goods and by stronger export demand for rubber and tea in dollar countries.

Balance of Payments

The balance-of-payments position deteriorated during 1949. The 1948 balance on current account showed a small surplus of 24,000,000 rupees. Provisional figures for 1949 indicate a deficit of 62,000,000 rupees, as shown in table 6.

TABLE 6.—BALANCE OF PAYMENTS ON CURRENT ACCOUNT, 1949

Trade	(Millions of rupees)		
	Visible	Invisible	Total
Export	1,064	79	1,143
Import	1,030	175	1,205
Balance	—	—	-62

The external assets of the country, which are almost entirely in sterling and Indian rupees, fell appreciably during 1949, as shown in table 7.

TABLE 7.—FOREIGN BALANCES, END OF 1948 AND 1949
(Millions of rupees)

Item	December 31, 1948	December 31, 1949
Total sterling (including Government & bank funds)	704.5	697.9
Indian rupees (including Government & bank funds)	278.9	218.2
Total currencies (sterling, Indian rupees, & other)	983.0	916.1

The sterling-assets agreement of 1948 between Ceylon and the United Kingdom was extended in 1949. It provided that, for the period July 1949 to June 30, 1950, £7,000,000 would be placed in the transferable account. The United Kingdom also accepted in principle the right of Ceylon during this period to create an independent reserve of gold or dollars, not to exceed \$1,000,000, out of net dollar earnings. Ceylon also agreed informally in August to limit its dollar imports to 75 percent of its dollar imports in 1948. Since 1939 when the dollar pool was organized and up to the end of 1948, Ceylon's net contribution to the pool is estimated at 900,000,000 rupees.

The Budget Speech of July 14, 1949, discussed the Government's policy on foreign private investments. The Minister of Finance said Ceylon had "undertaken to allow profits accruing to the benefit of persons resident in the sterling area to be used in Ceylon or to be remitted to the country of residence of the beneficiary." He added, "as a prospective member of the International Monetary Fund, we cannot without the approval of the Fund impose restrictions on payments due as interest on loans and as net income from other investments, which is taken to include profits...foreign investments are today entitled to earn profits and to remit them to the country of origin, subject of course to regulations common to all members of the sterling area...We have no intention to place any restrictions on the withdrawal of foreign capital investment."

With respect to existing foreign investments, the Minister said that Ceylon intends to follow the principle of national treatment subject to the proviso that "the major interest in ownership and effective control of an undertaking should be in Ceylonese hands." It is also intended, he said, to insist on the employment of a majority of Ceylonese, although "a majority of non-Ceylonese may occupy posts requiring technical skill and experience when Ceylonese with the requisite qualifications are not available. Foreign firms will be expected to train and employ Ceylonese in such posts in the quickest possible manner. The investment of foreign capital would be particularly welcome in industrial investments because industrial development cannot take place without scientific, technical, and industrial knowledge and capital equipment can most rapidly be obtained when it goes hand in hand with the supply of foreign capital."

Estimates of gross capital formation in 1948 and 1949 show the Government expected private capital to be provided in the amount of 100,000,000 rupees (1948) and 125,000,000 rupees (1949). The Government itself proposed capital expenditures amounting to 80,000,000 rupees (1948) and 173,000,000 rupees (1949). These figures would indicate the Government proposed to play the major role in capital investment.

LABOR

At the end of 1949 there were 142 trade unions with a total membership of 129,329 as compared with 158,178 members in 1948. Forty-four new unions were formed during the year, and eight previously registered unions dropped.

The Ministry of Labor estimated that the number of organizable workers in 1949 was 1,500,000. On this basis the trade unions have organized only 8.62 percent of the workers. The largest union membership is in the plantation industry, which has over 75 percent of all trade unionists.

Wages of workers in a large number of industries were controlled through a wages board. Wage scales were fixed for each of 16 trades on daily or monthly rate bases. In addition to basic wage rates, a cost-of-living allowance is also established and scaled to cost-of-living indices for estates and for Colombo workers. The cost-of-living index for estate labor fluctuated between a low of 259 and a high of 271 during the year. The Colombo working-class index began the year at 263 and ended the year at 264.

There were 94 strikes in 1949 as against 53 in 1948. The total number of man-hours lost as a result of strikes in 1949 was 695,916 as against 52,431 in 1948. Wage disputes accounted for the largest percentage of the 1949 strikes. Dismissals were the second major cause.

The Ministry of Labor believes that some of the strikes could have been avoided had there been some form of joint employer-workers negotiating machinery in existence. A Trade Disputes Bill was prepared for submittal to Parliament.

According to the figures of the Employment Exchange of the Ministry of Labor, 69,732 persons were registered as unemployed at the end of 1949, an increase of 3,076 over 1948. Most of the unemployed were unskilled workmen. The employment exchanges placed some 14,000 persons during the year.

In October 1949 the Director of Census and Statistics made an unemployment survey as the result of disagreement about the figures of the Employment Service. The survey indicated there were 86,230 unemployed, which is almost 20,000 larger than the number of unemployed by the employment exchanges on October 31. The Ministry of Labor explains that it does not have offices in the rural areas and that its rosters list only persons seeking employment.

TRANSPORTATION AND COMMUNICATION

Railways

The Ceylon Government Railway operated at a loss as in the last several years. A program for the rehabilitation

of rolling stock was under way during the year. Newspapers reported thefts of goods from the Railway, and railroad officials complained of the number of ticketless riders on the trains.

Highways and Motor Vehicles

The Public Works Department maintained 6,535 miles of roads, virtually all of which are capable of carrying automobile traffic. The general average cost of road maintenance per mile in 1949 was 1,555 rupees.

As of December 31, there were 52,085 registered motor vehicles. Cars and cabs accounted for 31,261 of this total; busses, 2,847; and trucks, 10,883. There were also 6,994 motorcycles. The majority of these vehicles are of British manufacture.

Shipping

Ceylon does not have a merchant marine. The tonnage of goods imported and exported by foreign-flag vessels during 1949 to and from Colombo was 2,193,287, slightly more than in 1948. The net tonnage of all ships entering and clearing Ceylon ports in 1949 was 12,385,396 entered and 11,927,894 cleared, or about 2,500,000 tons greater than in 1948. The number of cargo vessels of foreign registry which entered Colombo in 1949 was 2,852, about 500 more than in 1948.

Airways

Early in 1949 Air Ceylon, the part Government-owned air line, commenced operating "international" services to London and return with 42-passenger, 4-engined DC-4 "Skymasters." This service, operated once a week, proceeds to London and return via Bombay, Karachi, Cairo, and Rome, and is additional to regional Dakota DC-3 services operated by Air Ceylon to Singapore, India and Pakistan.

Air India, Limited, operated a daily Dakota service—Colombo to Karachi via Madras and Bombay.

The British Overseas Airways Corporation operated a weekly London-Colombo-Singapore service.

In 1949, the Ceylon Government obtained the services of an officer of the United States Civil Aeronautics Administration to advise local governmental aviation officials on the structural development of Ratmalana (Colombo) Airport, Ceylon's principal civil airport.

Estimated expenditures by the Government during the fiscal year October 1, 1949, to September 30, 1950, for improvements to Ratmalana Airport are 1,500,000 rupees. A new steel hangar and workshop at the airport was completed. This hangar is capable of housing simultaneously three DC-3 Dakotas or from six to eight smaller craft.

During 1949 Ceylon's Minister of Transport and Works headed a mission to Australia to open negotiations for a

bilateral air agreement with that Government. Negotiations between the two Governments were not finished until early 1950, when a bilateral air agreement was signed at Canberra.

Also in early 1950, an air agreement was signed with Thailand, paving the way for a scheduled service by Air Ceylon to Bangkok via Rangoon. A Bermuda-type agreement with Burma is expected to be signed.

Telecommunications

All forms of communication are under the control of the Ministry of Posts and Telecommunications. In 1949 there were reported to be 4,000 dial-telephone subscribers in Colombo, and a number of new phones were installed. Radio Ceylon, operated by the Ministry, took over Radio SEAC facilities from the United Kingdom; new studios were built, and an arrangement was entered into with the BBC whereby the latter provides broadcasting services during several hours of the day.

Licensed radio sets at the end of 1949 numbered 27,317 as against an estimated 24,616 at the end of 1948.

There were about 82 motion picture theaters in operation during 1949, capable of seating 42,000 persons.

Newspaper circulation at the end of 1949 is said to have reached about 240,000 copies a day, of which three English-language dailies circulated 70,000, and two Sinhalese and Tamil dailies printed the remainder. One large Sinhalese weekly sells about 120,000 copies.

CHINA'S INDUSTRIAL DEVELOPMENT AND INDUSTRIAL CAPITAL

By C. Y. W. Meng

In the past, there was something quite wrong with the Chinese national economy. For a long time, for example, there was an abnormal concentration of wealth in a few coastal cities as evidenced by the construction of skyscrapers and the creation of the privileged class and an easy-living and luxury-loving people out of touch of the Chinese realities at the expense of the vast hinterland which was extremely backward in economic life and organization. While a few so-called metropolitan cities claimed a business boom, the vast rural areas were facing bankruptcy and were impoverished not only in physical wealth but in human beings as well.

In the past, our industrial production was largely in the hands of foreign and bureaucratic capitalists. Typically enough for a semi-colonial country, industries were located more with an eye to cheap labor, reliance on foreign supplies for raw materials and machinery, and easy access to foreign markets than with regard to China's own needs and raw materials.

According to a survey covering the year 1947, the number of factories in four cities alone, namely, Shanghai, Tientsin, Tsingtao and Canton, constituted about 70 percent of the nation's total, while the number of workers employed made up 69 percent. And what these factories produced were mostly quite beyond the financial ability of the broad masses to buy, and consequently, these industries served only the rich and the super class of the Chinese people.

CHINA'S ECONOMIC BACKWARDNESS

In the past, our industrial production level was very low. In 1933, our industrial production was considered higher than that in 1948. However, when compared with industrial production in Russia in 1913, ours was lagging far behind. In 1943, we made some progress in our industrial production. But in some basic products, our production was still behind that of Russia before the October Revolution. This may be shown in the following tables:—

TABLE 1. COMPARISON OF INDUSTRIAL PRODUCTION IN CHINA IN 1933 AND IN RUSSIA IN 1913

Industrial Production	Unit	China (1)	Russia (2)	Ratio between (1) & (2)
Steel	1000 tons	25	4,200	1:168
Iron	1000 "	606	4,200	1:7
Coal	1000 "	28,378	29,050	1:1.2
Iron ores	1000 "	2,313	9,200	1:4
Petroleum	1000 "	91	9,000	1:100
Electric power	19000 KW	63	110	1:1.7
Copper	1000 tons	0.5	32.3	1:64
Zinc	1000 "	0.1	12	1:30
Manganese	1000 "	10	1,240	1:124
Acid	1000 "	5	338	1:67.6
Machinery manufacturing	1000 dollars	19,341	420,000*	1:22.2
Railways	1000 kiloms	11	59	1:5.4
Cement	1000 barrels	4,493	11,000	1:2.1
Spindles	1000 spindles	4,585	7,668	1:1.6
Industrial & mining production in value	1000 dollars	2,443,761**	6,135,000	1:2.5
% of Machinery making to total production	percentage	0.9	6.8	

Source: Translated from a table in *Economy of New Democracy* by Wang Hai-chi, Hsin Chao Book Company, Shanghai 1950, pp. 4-5.

* Converted into Chinese dollars at one ruble for C\$0.90.

** Including production by foreign factories established in China.

TABLE 2. COMPARISON OF INDUSTRIAL PRODUCTION IN CHINA IN 1943 AND IN RUSSIA IN 1913

Industrial Production	Unit	China (1)	Russia (2)	Ratio between (1) & (2)
Steel	1000 tons	1,200	4,200	1:3.5
Iron	1000 "	1,915	4,200	1:2.2
Coal	1000 "	52,647	29,050	1:0.6
Electric power	1000 KW	2,500	1,100	1:0.44
Acid	1000 tons	300	338	1:1.1
Spindles	1000 spindles	5,000	7,668	1:1.5
Railways	1000 kiloms	30	73	1:2.4
Petroleum	1000 barrels	330	9,000	1:27.2

Source: Wang Hai-chi, *Ibid.*, p. 6.

According to one estimate, our iron and steel production per capita was 1.2 kilograms in 1933, and our electric power production per capita was 4.3 KWH and cement 5 pounds only in the

pre-war years. In the past, modern industries only occupied about 10 percent of the national economy. This is an evidence of China's economic backwardness.

FOREIGN AND BUREAUCRATIC CAPITAL

Our study further reveals how thorough was the hold of foreign and Chinese bureaucratic capital on the major industries in the past.

According to an estimate compiled by Mr. Wu Cheng-min, Chinese industrial capital amounted to \$1,650 million in 1933, \$2,200 million in 1936, and about \$2,400 (1936 value of the dollar) in 1946. (See Table 3) All increased investments were made in Free China, while investments in the former occupied areas by virtue of the damage of war, decreased by about 20 percent. Added to this the enemy assets taken over, the total capital investment in 1946 was about \$4,500,000,000.

Taking the country's population at 450 million, in 1936, the industrial capital investment per capita was less than \$5. The weakness of China's industrial capital may thus be gauged.

According to Mr. Wu, in 1933, the average capital of a factory was \$500,000, and the average number of workers 200. After the war, each factory had an average capital of less than \$200,000 and less than 70 workers. As a result, production was on a small scale, and many factories were not on a sound economic basis. Many of these factories did odd repairing jobs only rather than producing capital goods.

In the organic composition of capital before the war, the unchangeable capital took up 98.4 percent, while changeable capital constituted only a small portion. According to Mr. Wu's explanation, this was not due to the high degree of mechanization of our industry, but rather entirely to the excessive lowness of wages.

The same author had also compiled another estimate of foreign industrial investments in China in 1936. It totalled \$1,661,297,000 in industry and \$332,065,000 in water, power and gas, or a total of \$1,993,352,000. (See Table 4) The portion of industry (\$1,661,297,000) was equivalent to US\$498,389,000. Prof. Remer's estimate was US\$376,300,000 and after deducting portions for Manchuria and Hongkong, it was US\$323,010,000. But Remer's figures were for 1931, while Wu's estimate is for 1936. During these intervening years, British investments based on those in textile industry, increased by 37 percent, while American investments, according to the U.S. State Department, increased by about 50 percent. Japanese investments increased by 66 percent but they were mostly made in Manchuria.

According to another estimate of industrial capital in China before the Sino-Japanese War compiled by Mr. Koh Tso-fan, of a total industrial capital of \$3,807,812,681, foreign investments amounted to \$2,820,536,169, or 73.8 percent, while domestic capital

amounted to only \$987,276,512, or 26.2 percent. (See Table 5) Foreign investments in manufacturing and mining industries were much larger than the amount of domestic capital. In the field of transport, predominance of foreign capital was even greater.

Before the war, the ratio between the Chinese and foreign investments was roughly one to three, and after the war, it was two to one.

After studying these estimates of modern Chinese industrial capital, our first impression is that in the pre-war years, foreign capital was dominant in China. Another impression is that in the past, there was a complete lack of modern capital in agricultural production despite the fact that nearly 80 percent of China's population is engaged in agriculture. A Chinese peasant possesses no capital at all, if land, as is usually the case, is not included.

In the past, modern industrial capital in China played a very small role in the entire field of productive activity. In the pre-war years, as pointed out by Mr. Wu Cheng-min in his estimate, only 8 percent of the capital was used in the production of productive materials, including metallurgical and machinery industries. Capital used for the turning out of consumer goods amounted to 92 percent. According to the Koh Tso-fan estimate, of the total domestic capital of \$987,276,512, the share of domestic industries producing capital goods amounted to only \$33,182,899. (See Table 6).

In 1933 and 1935, if the 16 industries were placed in their order according to the amount of capital invested, we find textile took the lead, with food, drinks and tobacco, second, and machinery manufacturing occupied the 6th and 7th place, while mining and metallurgical industries were almost the last of all. (See Table 7)

It was not until the development of a wartime economy when it was natural that special emphasis was paid to mechanical, chemical, smelting and electric equipment industries that the order of importance was changed. The distribution of capital employment was also effected. Metallurgical industries took the lead, chemical second, textile third and machinery manufacturing fourth.

However, due to the lack of a planned and balanced production and consumption, it soon proved that the development of heavy industries during the war period was over-emphasized. After the war, the development of steel and iron and other basic industries was not promoted. In 1946, capital for productive industries amounted to only 12 percent, while that for consumption was 88 percent.

Following the end of the War of Resistance against Japan, bureaucratic capital increased its stake at a startling rate. By 1947, bureaucratic capital owned 66 percent of electric power industry, 33 percent of coal production

and 90 percent of steel production. What were called state-operated enterprises were nothing but the "Chiang-Soong-Kung-Chen owned enterprises."

CENTER OF CHINA'S HEAVY INDUSTRIES

After the national liberation and with the adoption of the Common Program, many wrongs with our national economy were corrected, and a fundamental change in China's industrial production outlook and policy and in the capital formation and distribution has taken place.

Article 35 of the Common Program reads: "Concerning industries, to lay down the foundation for the industrialization of the country, work shall be centered on the planned, systematic rehabilitation and development of heavy industries, such as mining industry, steel and iron industry, power industry, machinery manufacturing industry, electrical industry and the main chemical industries. At the same time, the production of textile industry and other light industries beneficial to the national welfare and people's livelihood shall be restored and increased so as to meet the daily consumption needs of the people."

There is no doubt that the development of heavy industries now has our major attention. But at the same time, the promotion of light industries is also not to be neglected.

For a long time, there have been much pro and con arguments among some Chinese economists and industrialists as to which of the industries—heavy or light—should first be developed. The Common Program has apparently decided that the question before us is not so much which of the industries should be given priority as to putting production on a planned and coordinated basis in accordance with the national economic policy.

Owing to its rich natural resources and a comparatively modern industrial foundation, Northeast China is likely to be designated as the center for the development of heavy industries in China. The situation in the Northeast is somewhat different from that in other parts of China where industrial production in 1943 constituted about 56 percent of the entire economy as against 10 percent for the national average. For this reason, the Northeast may well be qualified as the starting point or the essential base for the industrialization of the country.

In 1943, Northeast China produced 49 percent of the entire country's coal output, about 87 percent of pig iron, 93 percent of steel products and 78 percent of electric power. The Northeast had 42 percent of the total railway tracks of the country. The preponderance of certain branches of heavy industries in Northeast China is overwhelming. This is also true to agriculture. Northeast China produced 51 percent of China's entire output of the world famous soya bean.

The potential coal deposits in the Northeast are estimated at more than 20,000,000,000 tons. The principal production centers are Fushun, Hokang and Fushin. Production in 1944 was 25,300,000 tons. Despite the damages to the mines wrought by the Kuomintang, coal production has been restored to normalcy. Under the Coal Control Bureau are nine branches in charge of 40 mines. By the end of 1949, production was nearly 90 percent of that under the Japanese, and 50 percent of the equipment was restored. The total production of state and provincial operated coal mines in 1949 was about 10,500,000 tons.

Before the Japanese surrender, the Northeast possessed facilities for the treatment of 2,500,000 tons of iron, also 13 furnaces capable of treating 1,750,000 tons of steel. Five of the furnaces were being repaired and four of them are in operation. In 1949, the production of pig iron was estimated at 94,000 tons, and that of steel 82,700 tons as well as another 89,000 tons of steel products.

The machinery manufacturing industry is not so strongly founded in the Northeast as was to be expected in a colonial economic system. Since the organization of the Northeast Machinery Control Bureau, however, planned development of the industry is under way, and plants are built to serve the industrial, mining and communications development of the area. During 1949, attention was principally devoted to the construction of parent machinery, and about 2,500 sets of various parent machines were built.

The metal industries are comparatively new in the Northeast having been developed by the Japanese only after the outbreak of the Pacific war in 1941. The principal minerals mined were copper, lead, zinc, aluminum and bismuth. Copper smelting was also undertaken but rich copper deposits were unavailable so far. In 1949, the whole of the Northeast had a total generating capacity of more than 200,000 kilowatts.

Northeast China was completely liberated in the winter of 1948. Under the rehabilitation plan, the People's Government in the Northeast invested a value of two million tons of grain for the economic reconstruction throughout the area. By the end of 1949, the gross value of industrial production under the Department of Industries (excluding munitions factories) over-fulfilled their production plan by 4.2 percent. Among them, important heavy industries like iron, steel, copper, coal, coke, power and machinery building all surpassed their original plan. But some light industries, such as cotton yarn, cloth and paper, however, did not reach their objectives. The railway transport plan was fulfilled ahead of schedule.

Starting from good beginning made in 1949, the economic reconstruction in the Northeast has since been going

on well. The main products planned for 1950 may be summarised as follows:

Industry	1950 Output	1949 Output
Pig iron	720,000 tons	172,000 tons
Ingot steel	540,000 "	100,000 "
Rolled steel	340,000 "	72,000 "
Electrolytic copper	4,000 "	1,874 "
Electrolytic lead	4,000 "	2,062 "
Coal	17,000,000 "	11,000,000 "
Power consumption ..	2,000,000 KWH	1,400,000 KWH
Motor	6,800 sets	1,109 sets
	(100,000 HP)	
Machine tools ..	3,300 tons	497 tons
Cement	430,000 "	218,000 "
Paper	50,000 "	22,800 "
Cotton cloth	5,700,000 bolts	2,450,000 bolts
Cotton yarn	235,000 bales	120,000 bales

According to this plan, and taking the price of 1943 as unchanged, then the total value of industrial production of state-operated industries in 1950 is to reach 193 percent of the value of industrial production in 1949, or about the equivalent of 57 percent of the level of industrial production in 1943. And, of the total value of industrial production, the value of the means of production will occupy 79 percent and that of consumer goods about 21 percent. This is to say, compared with 1949, the Northeast shall have raised the proportion of output of the means of production in the gross industrial output. But at the same time, the production of industrial consumer goods in the plan will have been raised by almost two-fifths compared with 1949. Thus, it will be possible to supply more consumer goods to the people than in 1949.

INDUSTRIAL PRODUCTION IN 1950

By the decision of the first National Coal Conference held in Peking at the end of November 1949, the national coal production goal was set at 51,000,000 tons by 1952. It was estimated that the nation would need 23,540,000 tons of coal in 1950, and it was planned to produce 36,660,000 tons. For 1950, the main attention is paid to the development of coal mines in Northeast China where 29 old pits were restored for production and 11 modern new pits have been developed, so that in three years, production may reach 24,000,000 tons annually. In North China and East China, efforts are mainly directed to the restoration of the former peak production goals.

At the first National Iron and Steel Conference, it was pointed out most emphatically that the iron and steel industry is the backbone of all heavy industries and a prerequisite for the modernization of industries, communications and agriculture in China. But China's steel treatment capacity can thus only take care of half of its iron production, while the capacity for steel rolling is still insignificant. For 1950, the authorities were reported to have invested considerably in the development of iron and steel industry. Again, the development of this industry is centered in the Northeast.

Every encouragement has been given to technicians in various parts of China to go to the Northeast to do more constructive work for the nation.

A survey conducted in the latter part of 1950 reveals that most of the state operated heavy industries factories and mines at various places throughout the country have made marked improvements and have completed their plans for the first half of the year with salutary results achieved in different aspects of the work for raising the quality and quantity of products and for improving the methods of production and administration.

In the first half of the year, the output of various coal mines reached 99.4 percent of the planned figure, being equivalent to 44.7 percent of the target set in the plan for the whole year. Specifically speaking, the Northeast has accomplished 101.7 percent of the first half year plan, the North China 99.5 percent, the East China 93.6 percent, and the Central South 111.2 percent.

The state operated power plants throughout the country have made big strides in the first half of 1950 in raising the rate of utilization of equipment and in lowering the cost, but the work is yet to be improved. According to statistics, the equipment utilization rate of all state plants has been raised from 23.5 percent of last year to 27.8 percent. Thus, though no new electric generating equipment has been installed, the quantity of electricity generated in the first five months of 1950 exceeded that of the corresponding period of last year by 16.7 percent. At present, the power output of the state plants in North, East and Northeast China has been raised from 65 percent of last year to 78.8 percent in 1950. These plants have not only overcome the huge waste resulting from the unreasonable utilization of equipment, but also smashed the conservative thought of being contented technically with the old level.

The state operated petroleum industry has also overfulfilled the plan for the first half of 1950 with respect to the output of the main products. The gasoline output of the Yuman oil field for the first half year amounted to 53 percent of the whole-year plan, being equivalent to 127.1 percent of that of the first half of last year, and the kerosene output amounted to 68.6 percent of the whole-year plan, being equivalent to 140 percent of that of last year. The gasoline output of the Yenchang oil field was 87.9 percent of the whole-year plan and the kerosene output 105.6 percent. The gasoline output of the Fushun Oil Refinery reached 53.7 percent of the whole-year plan and the Diesel oil output 56 percent. The output of the main products of other refineries and oil fields has also overfulfilled the set plans.

On the Yuman oil field, which forms the key-point in the basic construction, engineering work on new wells has been carried out up to 60 percent

of the whole-year plan. The ten big restoration works at the Fushun Refinery for 1950 have been 60 to 70 percent completed. The same refinery has exerted very great effort to raise the quality and quantity of the gasoline and Diesel oil it produces. It has now begun to produce various kinds of lubricating oils, and its transformer oil is capable of sustaining 30,000 volt high voltage electricity.

In Shanghai, at the time of taking over, various industrial units were generally too big and overlapping in organization, and a substantial raising of production and control efficiency is necessary before they can be run as enterprises. After readjustment and reform, the number of major public and joint public-private operated production units has decreased by 11, while four new ones have been added. A breakdown of these units shows that there are now 5 plants in steel industry, 9 in machinery industry, 15 in electric equipment industry, 5 in chemical industry, 6 in light industries, and one in building industry, thus making altogether 31 plants with 12,039 staff members and workers up to the end of April 1950, of which 2,645 were staff members and 9,392 workers.

This is certainly another constructive step in the right direction. Industries must be organized on a large scale with a considerable concentration of capital. The augmentation and creation of capital goods,—machines, tools and equipment—is an arduous task required of the industrialization of China.

As steel rolling capacity in Shanghai far exceeds the steel making capacity, an expansion of the equipment for the latter has been an urgent necessity. The open-hearth furnaces of the Shanghai Steel Corporation have been restored rapidly to normal production, and in addition, several Bessemer furnaces have been added to meet the needs.

As there have been few factories in the country that manufacture insulating materials which are urgently needed, an insulating material department has been added to the Shanghai Chemical Works using its original installations for the making of insulating varnish, yellow wax cloth, mica paper, etc.

The production of electric equipment in Shanghai was formerly limited for the most part to small-size, but actually medium-sized or comparatively large-sized equipment has been the need. In view of this, the Shanghai Plant of the Electric Equipment Factory has been reformed and specialized as the Shanghai Wire Factory for the manufacture of all kinds of wire with its copper smelting equipment enlarged. Meanwhile the electric machine department of the original plant has been properly expanded to become the Shanghai Electric Equipment Works producing medium-sized electric machines.

The Shanghai Electric Equipment Works of the East China Department of Industries has now completed the construction of a 4,000-K.V.A. high tension transformer. This arduous task was one of the undertakings slated for 1950, which was, however, all completed by the Works by the end of October, two months ahead of the schedule.

[This factory was first assigned to build transformers aggregating 30,000 K.V.A. in capacity for 1950. However, the redoubled efforts of engineers and workers of the factory led to producing of 38,240 K.V.A. by the end of October.

Though Shanghai is a comparatively developed city as far as the manufacturing of electric equipment is concerned, construction of large-sized high tension transformers has been rare. The new three-phase transformer was built with a primary voltage of 11,000 volts, exceeding in capacity the biggest one constructed previously by another electric works in Shanghai.

The above may sum up our industrial production in the first half of 1950 which when compared with that in the past, is marked by the change from the blind to planned production, from dependence on foreign supply of raw materials and on foreign markets to independent operation, from catering for the rich and privileged class to serving the people and meeting our needs, from exploitation to mutual benefit between labor and management, from antithesis to mutual assistance when urban and rural areas are no longer opposed to each other economically; there is now an interflow of industrial and agricultural products and mutual assistance and cooperation.

REASONS FOR IMPROVEMENT

It is not of so much importance to study production figures as to know more the principal reasons for the progress made in our industrial production during such a short period.

The inauguration of factory democracy and the abolition of feudal systems, such as gang system, in which the state-operated factories took the lead is one. This has brought about the cooperation between labor unions and management and unity between technical staff and workers where the latter is now taking an active part in the production planning side by side with engineers. This has led to the establishment of a production responsibility system in which both technicians and workers pledge themselves voluntarily to be responsible for the production. Under this system mutual inspection and mutual assistance, interlocking shift system and closer links between various departments are all possible. This has caused a total change in the labor attitude toward the factory or mine where they are working and toward the work which they are performing.

The joint research in technique for the improvement of production is another. This is expressed in the mutual

supply of designs, in regular discussion parties held through academic institutions, or in experiments and examinations carried out by using installations of public concerns.

The launching of the "New Record Movement" and production emulation in factories and mines is another important step in promoting the production. However, this can hardly be a reality unless with the enhanced consciousness of the masses of staff members and workers.

The improvement in safety measures where the casualties in factories and mines have been greatly reduced is very encouraging. Mortality rates dropped by three-fourths in the second quarter of 1950 as compared with the first quarter. In the case of coal mining, for example, casualties in the first half year of 1950 have been reduced on the average to 11.58 men wounded and 0.373 man dead for every 10,000 tons of coal produced.

The result is that not only production is greatly increased, but also cost of production is much lowered, waste is much curtailed and many improvements and inventions in the production technique have been made.

NEW CAPITAL FORMATION

China is a capital-deficient country. With the adoption of the Common Program also comes the change in the formation of China's industrial capital. In this connection, it is necessary to study the major interdependent factors in land reform and industrialization of China.

Chairman Mao has once pointed out that "Industrial capital must come mainly from the Chinese people's own savings." There is certainly much truth in this statement. Although China may seek foreign capital, she must form domestic capital herself so as to ensure the steady and rapid growth of the needed capital for the

TABLE 3. CHINA'S INDUSTRIAL CAPITAL—WU CHENG-MIN'S ESTIMATE
(Manchuria and Taiwan Not Included)
(Values in millions of Dollars)

Item	1933		1936		1946	
	Value	Percent	Value	Percent	Value*	Percent
China's Industrial Capital	1,650	—	2,200	—	2,400	—
China's Industrial Capital (including enemy assets taken over)	—	—	—	—	4,500	—
Foreign Industrial Capital in China	—	—	3,500	—	2,200	—
Organic Composition:						
Unchangeable capital	1,615	98.4	2,171	98.4	2,438	97.5
Changeable capital	26	1.6	35	1.6	60	2.5
Production Cost:						
Depreciation	46	4.0	—	—	—	—
Raw materials, fuel, etc.	965	53.4	—	—	—	—
Salaries (administration)	41	3.6	—	—	—	—
Wages	104	9.0	—	—	—	—
Capitalist Exploitation:						
Surplus Value	269	—	—	—	—	—
Rate of Exploitation	—	260.0	—	280.0	—	180.0
Rate of Industrial Profit	—	12.0	—	12.0	—	—
Employment of Capital:						
Productive industries	—	8.0	—	—	—	12.0
Consumption industries	—	92.0	—	—	—	88.0
Textile industries	—	86.5	—	—	—	35.0
Food and Drink	—	17.7	—	—	—	15.0
Water and Power	—	18.8	—	—	—	20.0
Capital Ownership:						
Public enterprises	—	—	318	15.0	3,161	67.3
Private enterprises	—	—	1,882	85.0	1,538	32.7

Source: See "An Estimate and Analysis of China's Industrial Capital" by Wu Cheng-min published in *Economic Weekly* (in Chinese), Shanghai, August 25 and September 1, 1949.
* 1936 Value of the dollar.

TABLE 4. FOREIGN INDUSTRIAL INVESTMENTS IN CHINA—WU CHENG-MIN'S ESTIMATE
Year 1936. Currency, Fapi

Country	Industry	Water, Power & Gas	Total
Britain	1,058,724,000	82,785,000	1,141,509,000
Japan	515,822,000	22,769,000	538,591,000
United States	31,408,000	180,333,000	211,741,000
Germany	82,699,000	7,880,000	90,579,000
France	6,644,000	24,881,000	31,525,000
Other countries	55,000,000	14,287,000	69,287,000
Total	1,661,297,000	332,065,000	1,993,362,000

Source: See "Industrial Investments of Imperialist Countries in China" by Wu Cheng-min published in *Chung Kuo Kung Yeh* (in Chinese), Shanghai, November 1949.

industrialization. Foreign capital may be a palliative, but certainly it is not a fountain of supplies, and this fountain is to be found in China's countryside.

Following land reform, several types of capital from rural areas will begin to enter industrial production through various channels.

First, after land reform, landlords find it no longer possible for them to absorb more land, indulge in extravagant modes of living, or engage in usury and commercial speculation, with the result that capital once used for these purposes, together with their savings and floating capital in rural areas, begin to enter bona fide industries. This will form a part of the needed industrial capital.

Indeed, it may be stated here that there is a hidden and redundant purchasing power of big landlords and property-owners in rural China. In the past, many Chinese economists have already pointed out that should

the government make use of it through proper ways, it would greatly augment the capital needed for reconstruction purposes. However, should the government prefer to abandon it, it would become idle capital. Unregulated investment, extravagant spending and unrestricted imports of foreign consumer goods would be more than sufficient to wreck our constructive planning. But now we find steps have already been taken to correct all these wrongs.

Secondly, a great portion of the wealth produced by the surplus labor of the peasants is gradually transformed into industrial capital through the two-way complementary process of city-rural area trade and through the constantly expanding co-operative system.

Thirdly, besides the increase in the production of foodstuffs and raw materials resulting from land redistribution, other developments will take place. The production of exportable

agricultural products, such as tea, tung oil, bristles and others is stimulated. With their exports organized under a planned system, these products are able to bring in large sums of foreign exchange which in turn make it possible to import more machinery and equipment to hasten the process of our industrialization.

It may be recalled here that from 1932 to 1934, for example, food imports occupied as much as 10 to 20 percent of the net value of China's imports, while machinery imports occupied only three to six percent. Under People's China, however, we no longer need imported food. And this portion of foreign exchange which used to buy foreign rice and wheat and cotton now forms another part of our industrial capital for productive purpose.

Fourthly, taxes levied by the government and paid with part of the surplus products of the peasants are used chiefly for purpose of promoting the production. During 1950, the Central People Government, in spite of the many pressing demands of the final phase of the War of Liberation, still spent the equivalent of 3,930,000 tons of grain on production—i.e. 23 percent of the total national expenditure. The Northeast which today is the most solid contributor to the economic rehabilitation of the whole of China, for another example, is spending 6,650,000 tons of grain for the economic reconstruction. Of this sum, industrial investments amount to 5,000,000 tons and account for 40 percent of the total expenditure for 1950.

All these have led us to conclude that unlike in the past, People's China is now having a definite national economic plan, and that all industrial and reconstruction actions are to be carried out in accordance with this plan. This plan necessarily embodies some form of socialism, promotes land reform, develops heavy industries and works out coordination between production and consumption.

This plan is apparently based essentially on the conviction that before China should plunge into a program of industrial development, she must first improve her agriculture. The industrialization of China must be built on the foundation of agriculture. Therefore, the foremost task before the Chinese farmers is to improve the present plight of the Chinese peasants, to multiply their productive capacity and to augment their purchasing power. After all, in the last analysis, raw materials so indispensable for industrial manufacturing are most agricultural products which must come from China's countryside. The vast rural districts are China's major markets for finished products which must be promoted. Similarly, the needed capital must also come from rural China.

TABLE 5. CHINA'S INDUSTRIAL CAPITAL — KOH TSO-FAN'S ESTIMATE

Year 1936. Currency, Papi			
Item	Domestic Capital	Foreign Capital	Total
(1) Manufacturing:			
1. Woodworking	1,115,175		
2. Furniture manufacturing	381,500		
3. Metal industries	9,800,750		
4. Machinery & other metal works	17,692,708		
5. Shipbuilding, etc.	2,339,107		
6. Bricks, cement, etc.	38,807,160		
7. Building materials	298,120		
8. Electricity & water supply	134,203,625		
9. Chemicals & allied products	49,146,965		
10. Textile industries	195,626,548		
11. Clothing, etc.	6,006,076		
12. Tanneries, rubber works	10,712,292		
13. Foods, drinks, tobacco	126,091,566		
14. Paper mills, printing	38,353,072		
15. Manufacturing musical instruments, etc.	812,300		
16. Others	2,426,000		
Manufacturing Total	627,812,964	1,076,700,000	1,704,512,964
(2) Public Utilities		277,700,000	277,700,000
(3) Mining Industries	44,296,000	88,000,000	132,296,000
(4) Transport:			
1. Railways:			
16 National Railways (9,726,883 Km.) .		806,018,824	
Kangchow-Pinghsiang Rly. (1,002.4 Km.)	20,634,000	20,634,000	
Chuchow-Kukong Rly. (464.3 Km.)	64,500,000		
Hweinan Rly. (216.1 Km.)	6,480,000		
Amoy-Changchow Rly (28 Km.)	500,000		
Yunnan Rly. (652.7 Km.)		107,000,000	
N.H.N.R. Extension & Chientang Bridge		18,857,145	
Sian-Paochi Rly. (189.1 Km.)		9,150,000	
Other 5 Rlys. (1,124 Km.)	56,200,000		
	148,314,000	961,649,969	1,109,973,969
2. Motor trucks, buses, etc.	116,976,000		116,976,000
3. Aviation companies	7,646,400	4,176,200	11,822,600
4. Steamship companies	42,281,148	412,300,000	454,581,148
Transport Total	315,167,548	1,378,136,169	1,693,303,717
Grand Total	987,276,512 26.2%	2,820,536,169 73.8%	3,807,812,681 100%

Source: *Problems of Economic Reconstruction in China*, Part II: Capital Stock in China by Koh Tso-fan, China Council Paper No. 2, China Council, Institute of Pacific Relations, December 1942, pp. 27-28.

TABLE 6. CHINESE DOMESTIC INDUSTRIAL CAPITAL INVESTED IN PRODUCTION OF CAPITAL GOODS IN 1933

Currency, Fapi			
Item	No. of Factories*	Capital	Annual Production**
Metal Industries:			
Founding: machines & Parts	24	132,750	655,987.89
Boilers & Pipes	5	85,000	325,110.00
Steeling refining	3	2,400,000	2,508,640.00
Total	32	2,590,750	3,489,687.89
Machines and Tools:			
Printing machines	9	108,000	424,414.74
Knitting machines	10	67,500	199,799.57
Spinning & Weaving machines	21	424,500	1,678,200.29
Prime movers	22	467,600	1,688,173.88
Various machines and tools	41	5,585,276	9,882,688.20
Machine Parts:			
Axes, etc.	1	95,000	72,000.00
Knitting needles	11	29,600	154,658.61
Faucets, valves, etc.	4	56,500	685,282.20
Various spare parts & repairs	25	224,745	1,185,334.33
Total	144	7,068,721	15,370,896.32
Electric Equipment:			
Electric machines & apparatus	5	144,790	497,400.00
Electric machines & batteries	1	500,000	170,000.00
Total	6	644,790	667,400.00
Foundry Works:			
Spinning & weaving machines	5	175,000	519,006.00
Prime movers, etc. ***	11	232,240	1,306,072.05
Various kinds of machines ****	22	471,120	1,474,376.11
Spare parts & repairs	9	2,685,867	265,445.61
Total	47	3,514,227	3,564,898.07
Transports:			
Shipbuilding:			
Shipbuildings	5	1,331,314	4,976,283.02
Shipbuildings & building of vehicles		1,880,000	2,440,000.00
Ship repairs	9	115,488	748,822.40
Railroad repairs shops	22	16,665,304	10,865,592.66
Other Vehicles:			
Building of Trams	1	300,000	65,178.05
Spare parts for motor vehicles	3	53,000	199,313.52
Motor vehicles: Repair shops	2	63,857	253,075.90
Bicycles	4	71,000	975,389.70
Charcoal gas trucks	1	20,000	144,000.00
Bicycle parts	3	4,450	58,533.30
Total	50	20,004,411	20,727,188.55
Grand Total	279	33,812,899	43,819,621.43

Source: Koh Tho-fan, *Ibid.*, pp. 35-36.

* Including only factories that conformed to the Chinese Factory Law.

** For chief products only.

*** Meaning various kinds of machines.

**** Meaning metal products.

TABLE 7. HEAVY INDUSTRIES IN CHINA IN 1933, 1935 & 1941

Currency, Fapi								
Shanghai, 1933				China, 1935			Free China, 1941	
Position	Industry	Capital	%	Industry	Capital	%	Industry	Capital
1st	Textile	63,628,946	39.108	Textile	121,708,180	48.528	Mining & Metallurgical ...	158,707,000
2nd	Food & Drinks ..	31,093,173	19.112	Food & Drink	61,597,946	24.557	Chemical	59,845,196
3rd	Paper mills & printing press ..	16,073,889	9.880	Elc. power & water	21,740,000	8.667	Textile	58,846,900
4th	Chemicals & allied products	15,200,094	9.343	Chemicals & allied products	17,216,900	6.865	Machinery making	44,026,520
5th	Elc. power & water	11,290,000	6.939	Tannery, rubber ..	8,255,500	3.233	Food & drinks ...	27,266,088
6th	Machinery making	7,780,369	4.732	Paper mills & printing press ..	6,119,300	2.495	Elc. power & water	21,909,162
7th	Tannery, rubber ..	5,063,888	3.113	Machinery making	4,155,000	1.637	Paper mills & printing press ..	21,016,515
8th	Clothing, etc.	4,974,459	3.058	Building materials	3,857,478	1.548	Building materials	16,344,000
9th	Building materials	4,088,100	2.482	Others	3,146,470	1.231	Others	5,094,100
10th	Others	374,000	0.537	Stationaries	1,072,400	0.428	Tannery, rubber ..	2,746,380
11th	Stationaries	634,500	0.384	Clothing, etc.	978,200	0.389	Construction	2,449,500
12th	Woodworking	612,475	0.376	Mining & Metallurgical ..	473,650	0.189	Shipbuilding & Rly. repairs	1,751,000
13th	Shipbuilding & Rly. repairs	533,000	0.327	Woodworking	313,000	0.125	Stationaries	985,000
14th	Furniture	378,500	0.232	Shipbuilding & Rly. repairs	217,974	0.087	Woodworking	187,000
15th	Mining & Metallurgical ..	361,000	0.222	Furniture	—	—	Furniture	174,000
16th	Construction	165,000	0.105	Construction	—	—	Clothing, etc.	—
Total		162,685,893	100.000		290,844,098	100.000		415,246,806

Source: Translated from a table in "Some Special Features of Our War-time Industrial Development" by She Ching-lun published in The Kweichow Development Corporation Quarterly, Kweiyang, Winter, 1942.

FORMOSA UNDER THE DUTCH

By Joshua Liao

Dutch Colonial Expansion

In world history European colonies appeared in East Asia after the famous Portuguese navigator Vasco da Gama had sailed round the Cape of Good Hope to India in 1498. Navigating through the Formosa Strait, Portuguese merchants reached Japan in 1544 to seek trade. In 1557 the Portuguese took Macao as a base of colonial and commercial expansion in the Far East. It was in 1590 that their navigators on witnessing the beautiful island off the Fukien coast of China called it "Formosa." After establishing a short-lived settlement in the present Keelung region, they started to survey its topographical features and investigate its natural resources.

Meanwhile, the Spaniards following suit occupied the Philippines in 1571 and began to conspire with the Portuguese to wrest every available right and interest from the South Sea Islands. The Dutch, who shook off the Spanish yoke in 1581 and became a new independent nation in Europe, immediately joined the scramble for Asiatic booty. As early as 1602 they organized the Netherlands East India Company and pledged loyalty to Parliament with a view to exploiting the Malayan Peninsula and the Soenda Islands. In 1619 Governor Coen moved its head office to Batavia, Java. Three years later, the Dutch mobilized northward a fleet of 6 vessels with 2,000 soldiers aboard under the command of Cornelius Reyersz in order to contest the supremacy on the South China Sea with their Portuguese and Spanish predecessors.

At first they attempted to replace the Portuguese in Macao. With Chinese aid the Portuguese in Macao easily repulsed the Dutch invaders. In November, 1622 the Dutch in 17 vessels descended upon the Pescadores. As the Chinese launched a successful counter-offensive in the spring and summer of 1623, the Dutch were forced to give up the Pescadores and offered Formosa. Agreeing on the proposition, they moved straight east, took Penkang (present Peikang), and drove Chinese leaders Yen Su-ch'i and Cheng Ching-lung out of the west-coast areas of the island. This occurred early in August, 1624.

Towards the end of the same year the Dutch as commanded by their first Governor of Formosa Maarten Sonk landed at K'unhsin (present Anping), took territory from the Sakkam Tribe, and at once started building Fort Zeelandia, which they completed in 1630. In the following year, there came besides sailors and soldiers, officers and officials, a number of merchants, technicians, and missionaries, ready to expand foreign trade, develop the virgin land, and convert the natives to Christianity.

The Chinese in Formosa then numbered about 25,000.

Dutch-Spanish Rivalry

The news of the Dutch success in Formosa so much alarmed the Spaniards in the Philippines that in 1626 Governor Fernando de Silva dispatched from Manila a fleet commanded by Admiral Antonio Carreno de Valdes under the pretext of protecting Spanish trade to the northern part of Formosa then still unoccupied by the Dutch. In no time these Spaniards took the northeastern cape of the island, which they named Santiago (still called Shan Tiao Ko). As the location appeared undesirable, they soon afterwards left for the present Keelung Harbour, which they named Santissima Trinidad. On the Keelung Isle off the harbour they built Fort San Salvador (still called Sia Liao To) as the Spanish counterpart of the Dutch Fort Zeelandia. In the summer of 1629 Admiral Antonio entered the present Tamsui Harbour, which was named Castillo, and on its hilltop was built Fort San Domingo, whose ruin has remained in comparatively good shape.

Meanwhile, aside from colonial and commercial expansion the Spaniards attempted civilization and conversion of the natives, too, and in a brief space of time from 1626 to 1642 sent as many eminent Dominican Catholic missionaries as follows:—

Name	Arrival	Departure
PP. Bartolome Martinez	1627	1631
Francisco Mola	1627	1629
Juan de Elgueta	1627	1629
Jeronimo Morer	1627	1629
Tomas de San Jacinto (Japanese)	1627	1631
Santiago de Santa Maria (Japanese)	1627	1629
Angel Cocci de San Antonio	1629	1633
Mateo de Cobisa	1629	1631
Francisco de Santo Domingo	1631	1633
Francisco Bravo	1631	1635
Tomas de la Magdalena	1631	1635
Antonio del Rosario	1633	1635
Lucas Garcia	1633	1637
Teodoro Quiros de la Madre de Dios	1633	1642
Miguel Lorena	1633	1635
Luis Muro	1635	1636
Lorenzo Arnedo	1635	1637
Miguel Corona	1635	1637
Juan Garcia	1635	1639
Felipe del Espiritu Santo	1635	1637
Francisco Diaz	1637	1639
Juan Arjona	1639	1641
Juan de los Angeles	1639	1642
Pedro Chaves	1641	1642
Theodoro de la Madre de Dios	1641	1642
FF. Francisco de Acebedo	1627	1631
Antonio de Viana	1629	1637
Juan Sanchez	1635	1637
Andres Jimenez	1637	1639
Pedro Ruiz	1639	1642
Basilio Cervantes del Rosario	1639	1641
Amador Acuna	1641	1642

To facilitate their evangelic activities Father Jacinto Esquivel, a Spanish Dominican, published about 1630 a *Vocabulario de la lengua de los Indios Tanchui en la Isla Hermosa* and a *Doctrina Christiana* in the same language. Though literary works by others are hardly traceable, yet their influence seems to have survived Spanish rule in Formosa; for as late as 1662, when the Italian Dominican Victorio Ricci sent to Manila by Koxinga returned from his diplomatic mission to the island, he found a number of Catholic Christians among the natives.

The Dutch in South Formosa, however jealous, were in the beginning no match for the Spaniards. Thus their punitive expedition sent out in 1630 to assault Castillo and Fort San Domingo incurred a crushing defeat with its commander killed in action. The Dutch Governor Pieter Nuys immediately asked for reinforcements from Batavia, which the Dutch in Java could not afford. Again, in 1641 the expeditionary forces dispatched by Governor Paulus Traudenius following the rejection of his ultimatum by the Spanish Governor of Formosa Gonzalo Portillo from Trinidad were similarly driven into retreat. It was not until the summer of 1642 when the Spaniards in the Philippines as menaced by native rebels in Mindanao had to recall three quarters of their garrisons in Formosa that the Dutch invaders led by Hendric Harouse could effect a landing at Castillo, where they encountered only 12 Spanish, 8 Indian, and 40 native soldiers.

Thereafter the whole island of Formosa was brought under Dutch rule. Eight years later (1650), Governor Water in view of the growing prosperity of the new colony and the corresponding responsibility of its administration moved the capital from Fort Zeelandia to the newly completed Fort Providentia in the present Tainan City. Over 30 feet in height and 2,766 feet in width the new establishment accommodated as many as 600 Dutch officials and civilians and 2,200 garrisons.

Dutch-Japanese Friction

Another international conflict was the open struggle between Japanese overseas traders and Dutch authorities in Formosa. As early as 1593 Japanese seafarers discovered the Bonin Islands about 500 miles S.S.E. of the Japanese mainland in the Pacific. In 1597, when sighting the hilltop covered with luxuriant trees above white sand by the present Kaohsiung Harbour, Japanese navigators stopped at its foot. As they met the Takosan Tribesmen there and were reminded of a similar scenic spot on the Japanese seashore, they called the place Takasago meaning High Sandy Land, which soon afterwards became their name for the whole island. From the same origin was derived the Chinese

name Ta Ku Shan meaning Drum-Beating Hill for the hill, which for some reason or other the Westerners have called Ape Hill. Meanwhile, the Takasago seashores began to serve Japanese pirates and traders as handy shelters.

In 1626 the Dutch Governor de With of Formosa requested both Chinese and Japanese merchants to pay business tax and custom duties. Inasmuch as Japan under the newly founded Tokugawa Shogunate was ready to challenge Dutch pressure while the Ming Throne in China was cracking, to appease the Japanese the Dutch Governor Coen of Java early in 1627 replaced de With with Nuyts as Governor of Formosa. The new governor at once paid the Japanese authorities at Nagasaki a courtesy visit, promising to exempt Japanese from all kinds of levies. Towards the end of the same year, however, a Japanese ship from the South Sea anchored at Fort Zeelandia was detained with its cargo confiscated by the Dutch authorities on the ground that, loaded with weapons and munitions, it appeared unfriendly to the Dutch.

On receiving Captain Yaeye Hamada's report the ship-owner Hirakura Suetsugu swore vengeance and in April of the following year placed Hamada at the head of a punitive expedition to Formosa. When the opposing forces met, neither side opened fire but each tried to outwit the other. The Dutch then sent out an emissary to welcome and invite the Japanese to a round-table conference. The Japanese captain after making every preparation for the worst took six men along and entered Fort Zeelandia to interview Nuyts. During the conversation through a certain Francois's interpretation, when the Dutch Governor thought he might as well throw the Japanese into jail, the Japanese captain all of a sudden, jumped at him threatened his life with a dagger, and thus coerced him to pay damages and let the Japanese go home with his son as hostage. Thereupon Nuyts had to comply with every Japanese demand and was soon afterwards replaced by Putmans. His son Muysart detained at Ohmura near by Nagasaki died in jail. The four attendants were allowed to return to Formosa seven years afterwards. In 1639 the Tokugawa Shogunate after suppressing the Shimabara Christian Rebellion (1637-38) proclaimed the closed-door policy against all foreigners other than the Chinese and the Dutch coming to Nagasaki that remained in effect for over two centuries to come.

Chinese Insurrection

The really decisive international conflict grew out of the persistent struggle between Chinese settlers and Dutch authorities. Throughout the History of Formosa, indeed, Chinese settlers and their offspring have always

dominated in race and culture, and consequently produced a people to be called Formosans. Following the Dutch occupation, the Chinese elements in Formosa found themselves deserted by their home government, their leaders driven out into exile, and themselves badly sandwiched between the ferocious aborigines and the oppressive Dutchmen. None the less they seemed able to eke out a scanty livelihood by making the best of their most unfortunate plight.

During this period of history the Middle Kingdom was thrown into chaos by the Flying Bandits, who eventually drove the last Ming Emperor in Peking to suicide in 1644 but incurred the Manchu invasion at once. In consequence, from the coastal provinces of Fukien and Kwangtung mass-influx of refugees began to pour across the Formosa Strait. The Dutch, having found most of the virgin land still covered with weeds and jungles and sparsely populated by primitive aborigines and therefore felt the more urgent need of industrious farmers and skilful labourers, accorded Chinese immigrants a warm reception in the beginning. They provided new arrivals with oxen, seeds, and agricultural implements on the condition that the settlers would at once take to tillage while the Dutch Government would bear all expenses for constructing irrigation-canals and embanking rivers.

Thus in 1625 the year following their landing the Dutch had to invite Yen Ssu-ch'i and Cheng Chi-lung back to Penkang where to pacify the aborigines and revive trade with the Dutch as well as to encourage immigrants from their native districts in China. Every new settler was then promised an annual subsidy of three guilders and one Ox. It was recorded that Reverend Daniel Gravius had at one time secured a loan free of interest from the Dutch Colonial Government, imported from India 121 oxen, and distributed them among the inhabitants of his parish at Soulang (present Chiali). In response to such encouragements, Fukien pioneers would migrate by thousands every year. They found the soil much richer than that of the Mainland and every crop twice that at home. Prosperous and contented, they paid rents to their Chinese leaders.

In the course of time the Dutch having increased in number and influence took over the supervision of Chinese settlers, wherefore Chinese leaders again left. From their capital Fort Zeelandia they gradually extended a network of stations and settlements according as new Chinese immigrants became settled as the Dutch missionaries secured new footholds among the aborigines. During the 20 years from 1624 and 1644 there arrived over 25,000 Chinese households comprising over 100,000 new-comers, who populated such well-known places

Favorlang, Talnimu, Taika, etc. on the western plain. In 1645 the Dutch Government inaugurated a Consultative Council with aboriginal elders as members and as a measure of self-government ordered every village to elect its own headman, who would under the Dutch Governor's supervision administer civil affairs. The country being divided into the Northern and the Southern Sectors, on March 8 every year the Council would open its session in the North and on April 4 in the South.

By the time Fort Providentia was completed in 1650 the Dutch authorities registered as many as 293 villages and hamlets under their direct jurisdiction. Every ten thousand households of tenants were placed under one head; and from among several tens of heads was a captain elected responsible for local peace and order to the Governor. Land was allotted to each tenant according to his industry and ability. An area of about 100,000 sq. ft. was called an "acre"; so that the Formosan unit for land-surveying has been neither the Chinese "mou" nor the Japanese "cho" but "kah"—the linguistic vestige of the Dutch "Akker". Five kah was called a li or plow. The present kah covering 105,624 sq. ft. is about 2.377 English acres.

The Formosan Chinese were then as now fond of growing rice. But the Dutch introduced Japanese sugar-cane as well as such tropical fruits as Djambo (still called "lien-bu" by the Formosans) and pears (Peer in Dutch still called "pat-ah"). Fields and farms were classified into the upper, the middle, and the lower grades, according to which different rents were collected whether the farmers grew rice or sugar-cane. In 1650, however, rice-fields surpassed sugar-cane farms by three to one in area though the Dutch preferred sugar to rice; which difference in interest gradually intensified Sino-Dutch friction.

Moreover, the Dutch then allowed no land-tiller any land-ownership, not to mention any absentee attempting to buy and own any estate. On the contrary, the Formosans like their kinsmen in China, stuck to the good earth, would work and save, buy and own not only personal property but also real estates, which right the Dutch authorities denied to them. Time and again, ambitious and prosperous settlers petitioned to buy and own the land they were tilling and thereafter pay taxes instead of rents, but the ruling authorities turned no ear to them. As they failed repeatedly in petition and negotiation, violence and rebellion became the only alternative left to them.

Worst of all, the Dutch in view of the ever-increasing number of Chinese

1651 to collect the poll-tax from every Formosan of Chinese extraction above six years of age. The new source of revenue alone would increase the annual revenue by 70,000 guilders. Besides, hunters and fishermen were requested to apply for licenses and have them renewed every year. To the Formosans this new levy was not only "taxation without representation" but "exploitation without consideration." No longer able to bear Dutch oppression and extortion, they in the following year (1652) under the leadership of a certain Kuo Hai-i rose rebellion, which marks their first armed struggle for liberation. The Dutch at once assembled their garrisons from all over and by successfully persuading nearly 2,000 aboriginal tribesmen to sandwich the Formosans with them crushed the rebellion in no time, massacring over 4,000—men, women, and children included. Helpless from without and powerless from within, the remaining malcontents went underground. In 1661, when Koxinga and his troops appeared beneath Fort Zeelandia, these unfortunate people responded from inside, thus helping terminate the 37 years' Dutch rule in Formosa.

Missionary Success

The Dutch seem to have sent out better personnel among Christian missionaries than among political administrators. In contrast to the list of their Governors of Formosa:

Name	Arrival	Departure
Maarten Sonk	1624	1625
Gerard Frederickszoon de With	1625	1626
Pieter Nuys	1627	1629
Hans Putmans	1629	1636
John van der Burg	1636	1640
Paulus Traudenius	1642	1643
Maximilian le Maire ..	1643	1644
Francois Caron	1644	1646
Pieter Antoniszoon		
Over't Water	1646	1650
Nicolaas Verburg	1650	1653
Cornelis Caesar	1653	1656
Frederik Coyett	1656	1662

They can boast of a still longer list of presiding Protestant Missionaries in Formosa as follows:

Name	Arrival	Departure
Georgius Candidius	1627	1631
Robertus Junius	1629	1641
Georgius Candidius	1633	1637
Asuerus Hoogesteyn ..	1636	1637
Joannes Lindeborn	1637	1639
Gerardus Leeuwius	1637	1639
Joannes Schotanus	1638	1639
Joannes Bavius	1640	1647
Robertus Junius	1641	1643
N. Mirkinus	1641	
Simon van Breen	1643	1647
Joannes Hapartius	1644	1646
Daniel Gravius	1647	1651
Jacobus Vertrecht	1647	1651
Antonius Hambroek	1648	1651
(decapitated)		
Gilbertus Hapartius ...	1649	1652
Joannes Cruyf	1649	1662
Rutger Tesschemaker ..	1651	
Joannes Ludgens	1651	
Guilielmus Brakel	1652	
Gilbertus Hapartius	1653	
Joannes Bakker	1653	

Name	Arrival	Departure
Abrahamus Dapper	1654	
Robertus Sasenius	1654	
Marcus Masius	1655	1661
Petrus Mus	1655	1662
Joannes Campius	1655	1662
Hermannus Buschhof ..	1655	1657
Arnoldus a Winsem	1655	1662
Joannes de Leonardis ..	1656	1662
Jacobus Ampzingius	1656	1662
Guilielmus Vinderus	1657	1659

While preaching the Christian religion and practising Western medicine, these missionaries developed intimate contact with aborigines and avoided unpleasant conflict with Chinese settlers. Therefore they could make substantial contributions to the people and leave enduring influences in the country and were instrumental in making Formosa known to the Occident.

Thus, the first presiding missionary Rev. Georgius Candidius, who came to Formosa in 1627, wrote in the following year "A Short Account of the Island of Formosa" describing the manners, customs, and religions of the inhabitants, which was published in 1627 in Frankfurt-am-Main, and whose English translation from the Dutch is still found in Vol. I of Churchill's Collection of Voyages (3rd ed., 1744). Within the first 16 months of his stay he instructed 120 of the natives in the Christian religion. So radiant were his inspirations that both Dutch missionaries and aboriginal converts named after him the Sun and Moon Lake in the mountains on the central part of Formosa, which scholars maps in Western languages still call Lake Candidius.

The second missionary Rev. Robertus Junius, who spent an uninterrupted period of 12 years from 1629 to 1641 in the Island, was not less successful than his predecessor. On one occasion he converted as many as 5,900 "East Indians", i.e. aboriginal tribesmen in Formosa, which achievement was highly spoken of in a Latin letter by his friend M. C. Sibellius, then Pastor of Davenport in Holland. In 1636 he founded the first school in Formosa, starting with a class of 70 boys. Meanwhile, every aboriginal hamlet came to have a primary school. In three years' time the schools enrolled over 600 pupils. Every grade had 30 pupils who were taught Dutch Language and Literature, the Bible, Writing, and Counting. They learned writing with plumes dipped into black ink and became able to write letters and contracts in their own tongue romanized. Graduates with excellent records were employed as assistant teachers or sent to the theological school at Mattau for higher education. As many Dutchmen married aboriginal women, by intermarriage, school education, and religious conversion was Dutch rule greatly consolidated.

In 1645, following his return, Rev. Junius published in Delft the *Katechismus in Formosanischer Sprache* of 24 pages.

The first cathedral was completed in 1648 at Sinkang, where there were over 2,000 converts.

After the Dutch had expelled the Spaniards—including overseas merchants and Catholic missionaries—in 1642, the translation of the Gospels of Matthew and John into Formosan (actually into the Sinkang aboriginal dialect) by Rev. Junius was used for the spread of Protestant Christianity among the inhabitants of Soulang, Attau, Sinkang, Bacalao, Tavokang, and Favorlang. The Gospel of St. Matthew in Formosan with a corresponding version in Dutch was edited by Rev. Daniel Gravius and printed in Amsterdam in 1661.

Likewise, Rev. Gilbertus Hapartius completed the compilation of his famous *Favorlangsch-duits Woordboek*, one of the oldest dictionaries in history of an Oriental and an Occidental language.

Dated 1650 a manuscript containing the "Articles of Christian Instruction in Favorlang-Formosan and Dutch" was left by Rev. Jacobus Vertrecht, too. It was subsequently edited by Rev. William Campbell and published in London by Kegan Paul in 1896.

Political Failure

In reverse proportion to missionary success the Dutch colonial authorities in Formosa seemed unconcerned about their administrative shortcomings. The Chinese settlers while sharply differentiated from the Dutch were treated like the aborigines, but had to pay higher taxes and render more labor services than either group. Though unwilling to treat and pay the Chinese equally well, the Dutch would trust some of them with confidential matters, which finally brought about their downfall. Thus in 1660, eight years after the unsuccessful insurrection a Chinese native of Tungan by the name of Ho Pin on account of his linguistic ability and knowledge of Formosan affairs had become the Chief Accountant and Interpreter under the Dutch Governor Frederik Coyett. Having for years witnessed and resented the injustice and inequality his countrymen received at the hands of the Dutch, he attempted to accord them a fair treatment with the consequence that he was driven into a deficit or embezzlement of 200,000 guilders out of the public funds for which he could not by any means repay. Escape being his only resort, he at night rowed a small boat loaded with 100,000 taels through a secret water-route, stole out of Fort Zeelandia, and finally sailed across the Formosa Strait to interview Koxinga in Amoy and agitate for expulsion of the Dutch, recovery of Formosa, and liberation of the Chinese settlers who had already become the majority of the inhabitants.

It happened that Koxinga, who in the previous year of 1659 had suffered a crushing defeat in his northward expedition to recapture Nanking from

the Manchu invaders, was greatly worried about the shortage of manpower and material resources in the Amoy area and therefore eager to secure new footings. On the scene there arrived Ho Ping from Formosa. When received in audience by Koxinga, he persuaded: "Why doesn't Your Highness take Formosa? The Island is the old country of your forebears. Once you have Formosa, there'll be no worry about resources. Because its land, fertile and extensive, is qualified to be the home base. Besides, it is surrounded by the seas and connected thereby with all foreign countries. Its agriculture will produce enough food. Its foreign trade will bring in enough profits. Assemble and multiply people there for ten years. Then train and feed them for another ten years. Be sure the country will become the Promised Land of any hegemonic ruler." Following this saying, he produced out of his sleeve a detailed map and presented it to Koxinga.

Koxinga's Campaign and Victory

Intensely interested in the proposition, Koxinga at once called an emergency conference of his subordinates and after a long debate reached the affirmative decision to take Formosa. In the 2nd month (about March) of 1661 his fleet of 100 vessels with 25,000 troops aboard set sail eastward and took the Pescadores in no time. On the 1st day of the 4th month at dawn, when Koxinga's fleet was near the shore by Fort Zeelandia, the tide was at its lowest ebb; the entrance of the harbour of Fort Zeelandia was blockaded with sunken boats; and the water in the neighbourhood was too shallow for navigation. On the following day, however, an unusual tide over ten feet deeper appeared, so that the invading Ming forces moved straight into the harbour and effected an immediate landing near by Fort Zeelandia. Dashing at Fort Providentia, they captured it after only three days' engagement. The Dutch garrisons including over 300 soldiers surrendered while Formosan malcontents responded from underground all over the Island.

Among these Dutchmen there was a certain Rev. Antonius Hambroek, whose daughter Koxinga married. Inasmuch as Koxinga wanted the Dutch Governor still defending Fort Zeelandia to lay down arms peacefully, this missionary was sent out as peace-envoy. The Governor, having sent for reinforcements from Batavia and received a promise of an immediate aid of 700 marines in seven gun-boats and also an encouragement by the Manchus to sandwich the invaders, persistently refused to comply with the demand. Hambroek, though warned by everyone in Fort Zeelandia not to return to Fort Providentia, returned to report on his unsuccessful

HONGKONG STOCK & SHARE MARKET

The share market opened in 1950 with little activity and continued so with prices fairly steady until the invasion of South Korea, when a definite decline set in and only a small volume of business was reported. This condition continued until U.N. forces commenced their drive Northwards when prices took an upward curve, and this was maintained until news came of retreats before superior forces. Since then there has been a gradual decline in prices and, in a few instances, shares almost reached the levels touched in June. With prospects of a "cease fire" in Korea, a little confidence has been shown and bargain hunters are in evidence.

The announcement by the Chase Bank and the advice issued by the U.S. Consulate had very little effect on the market and business reported for the first two weeks of 1951 compared favourably with corresponding periods for 1950.

Two attempts to introduce forward settlements were foiled by events in Korea, and even the proponents of these

attempts appear to realise that forward settlements without settled conditions would be a dangerous experiment.

Important business interests in the Colony appear to be confident of the future and if some of this confidence could be absorbed by the investing public, we should see prices of shares more in keeping with the handsome dividends declared—this applies particularly to utility companies which at present show yields of from 12% to 15%, a state of affairs undreamed of in the relatively stable pre-war conditions.

As an example of what may happen with prospects of peace, Hongkong Trams and Hongkong Electric both rose 10% overnight upon publication of the news that Peking was considering suggestions for a conference.

Authoritative sources state that practically all Companies have done well and holders of shares should be in for pleasant surprises when dividend announcements appear. Most Companies will doubtless follow the leads given by the two Electric Companies and the Bank of

mission. Suspected of treachery, he was decapitated. He died a martyr, political rather than religious.

The siege of Fort Zeelandia lasted till the 12th month of 1661 (January of 1662) when over 1,600 Dutch had lost their lives and the last water-source came to be stopped by Koxinga. As the last peace offensive the latter dispatched the message, "Return my father's former domain to me. Then you shall be allowed to take away your women, children, and valuables." Realizing the futility of further resistance, Governor Frederik Coyett promised to capitulate on eight conditions: (1) The Dutch shall be allowed to take necessary food-stuffs and munitions along. (2) The Dutch shall be allowed to take personal property along. (3) The Dutch shall be allowed to take limited amounts of money along. (4) The Dutch on leaving shall be allowed to play music, load their guns, and carry weapons along. (5) War prisoners shall be exchanged. (6) All Dutch vessels captured by the Mings shall be returned to their rightful owners. (7) The property, houses, and estates of the Dutch Chamber of Commerce shall be unconditionally surrendered to the Mings. (8) All the documents of the Dutch Government shall be allowed to be taken to Batavia.

On every proposal agreed Koxinga, wherefore Fort Zeelandia was given up. Led by Governor Coyett, between five and six hundred Dutch embarked their own repatriation vessels with their belongings, thus ending their chapter in Formosa while abandoning about 20,000 kinsmen to their fate in the interior of the Island. The 500 reinforcements from Batavia arrived

too late, when Koxinga had already placed the whole country under his control. In 1663 the Dutch Government of Java and the Manchu Court collaborated to retake Formosa, but their joint-plan failed to make any progress.

Of the last fifteen Dutch missionaries six left and three or four were killed while the rest stayed on to take care of their own countrymen stranded in the interior as well as to carry on their evangelic work among native converts, hoping that communication with Holland would soon be resumed. In that year of 1662 Rev. Daniel Gravius, who had left for Holland in 1651, published an account of Christian missions among Chinese Formosans with a view to reviving evangelic zeal, but only in vain. As the Gospel had never struck deep into Formosan soil, in the course of few generations Christians diminished among heathens; evangelists passed away without successors; and Dutch remnants disappeared among the ever-increasing Chinese. Unlike Fort Zeelandia and Fort Providentia whose ruins have withstood the challenge of wind and wave, the Dutch colonial accomplishment and Christian Church in Formosa tumbled bit by bit till few traces of Dutch influence were left, e.g. "red-haired" objects like castles, wells, rice-fields, irrigation-canals, etc. still spoken about in addition to linguistic vestiges and physical features casually traceable among present-day Formosans. Thus successfully against the Dutch for liberation struggled Formosa, not knowing to struggle against still worse enemies for centuries to come.

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East Asia, all of which announced increases in their dividends. The Hongkong Electric Company's increase of the interim dividend augurs well for an increased final.

Those fortunate enough to have credit balances with their bankers could do worse than to pick up shares at present prices and should reap a handsome reward for their faith. Comparative stability in world affairs should cause a mild boom in shares.

* * *

The share market in January was largely depressed and quotations were determined by buyers. The uncertainty of the political situation in the Far East, underscored by the reverses of the UN forces in Korea, caused nervous sellers to liquidate while buying interest was often difficult to arouse even at the very low rates.

The local market is usually a one-way affair; if a slump has settled down it is generally difficult to find buyers even at listed nominal rates, and in times of a boom, or a supposed upward trend, sellers are holding back and transactions cannot be easily arranged.

This peculiar market condition discourages investors and those who have had experience in trading usually do not return to do business. Another discouraging factor is the high brokerage fee of 1% both for buying and selling.

Dividends have now been declared by several companies (HK Bank, Bank of East Asia, Green Island Cement, HK Hotels) and working results have been reported as very satisfactory. Shareholders nevertheless feel that high dividends could have been paid. The conservative policy of company directors in times like these is not fully endorsed by the investing public.

The reported sales during the month of January (from Jan. 1 to Feb. 2) for 5 trading weeks totaled \$6,756,042, viz. for the week Jan. 1-5 \$1,028,586, Jan. 8-12 \$1,327,268, Jan. 15-19 \$1,565,826, Jan. 22-26 \$1,307,738 and Jan. 29-Feb. 2 \$1,526,624. In 1950 sales totaled \$60,108,912 (weekly average \$1,155,925).

Chinese New Year holidays started on Feb. 5 and the market opened for business only on the 8th. During the 2 days trading period larger business was recorded and prices advanced. Compared to year's opening rates the present level is slightly higher especially in utilities and industrials. The successful offensive of the UN forces in Korea has stimulated the market and there is again confidence in the future of Hongkong discernible. Any reverse of the communists in Asia is interpreted as a sign of stabilisation. Accordingly, the military situation in Korea has caused local and other Far Eastern investors to resume buying of securities. The undertone is at present quite firm and a further though slight rise in rates is expected. The public is however extremely wary to venture out with too large funds. Besides other investment or speculative opportunities are far more attractive; in recent weeks commodity speculation has been rewarded and there is still capital flowing into commodity hoarding.

Rubber plantation shares are in good demand but holders do not show up. Few transactions take place. Prospective buyers will have to advance their prices if they want to attract scrip. Current prices are out of line with earnings of estates and the ruling high rubber markets; on the other hand, there is concern about the future of the natural rubber industry.

Hongkong share brokers point usually to the fact that yields at present are very high (10-15% for good industrials) but the same can be said of yields in other Far Eastern share markets. The local market is too narrow and offers not sufficient attraction to merchant capital; genuine investors are however too few so that the old holders and 'vested interests' remain the mainstay of the market. Speculation has been absent from the market for a long time (it was noticeable only in the boom year of 1947) and as there is no forward trading speculative transactions cannot be expected. Business at the stock exchange is a quiet affair with prices moving up and down in tune with the political-military situation in China and neighboring countries. To the Chinese investor the market does not appeal as the return is not the main attraction; fluctuations in quotations would make trading interesting but these are too few and the exploitation of differences has proved difficult if not impossible in the one-way market of Hongkong. Besides, the slump has lasted for so long a time that interest in the market cannot be aroused easily.

HONGKONG STOCK EXCHANGE QUOTATIONS

Last week's closing prices (buyers or nominal):—

H.K. GOVT. LOANS	
4% Loan	97
3½% " (1934 & 1940)	94¾
3½% " (1948)	97½
BANKS	
H.K. & S. Bank	1280
" (Lon. Reg.)	£80¾
Chartered Bank	£9 11/16
Mercantile Bk. A. & B.	£22¼
Bank of East Asia	100
INSURANCES	
Canton Ins.	265
Union Ins.	635
China Underwriters	3
H.K. Fire Ins.	125
SHIPPING	
Douglases	160
H.K. & M. Steamboats	15
Indo Chinas (Pref.)	12
" (Def.)	35
Shells (Bearer)	85 7/8
U. Waterboats	18
Asia Nav.	67½
DOCKS, WHARVES, GODOWNS, Etc.	
H.K. & K. Wharves	76
North Point Wharves	5
Sh. Hongkew	5½
H.K. Docks	12¼
China Providents	10.10
S'hai Dockyards	8
Wheelocks	20
MINING	
Raub Mines	4.70
H.K. Mines	.01½
LANDS, HOTELS & BLDGS.	
H. & S. Hotels	6.60
H.K. Lands	35
S'hai Lands	1.30
Humphreys	7½
H.K. Realities	1.90
Chinese Estates	109
PUBLIC UTILITIES	
H.K. Tramways	1.2¼
Peak Trams (Old)	22
" (New)	11
Star Ferries	68
China Lights (Fully Pd.)	6.10
" (Partly Pd.)	3.60
" (Bonus Sh.)	6.10
H.K. Electrics	25
Macao Electrics	9
" (New)	8½
" (Bonus Sh.)	8
Sandakan Lights	8¾
Telephones (Old)	9½
" (New)	9
Shanghai Gas	1½
INDUSTRIALS	
Cald. Macg. (Ord.)	22¼
Cements	12¾
H.K. Ropes	12¾
STORES &c.	
Dairy Farms (Old)	13
" (New)	11½
Watsons	20¼
L. Crawfords	20½
Sinceres	2.90
China Emporium	9
Sun Co., Ltd.	1.60
Kwong Sang Hong	98
Wing On (H.K.)	43
Wm. Powell, Ltd.	8
MISCELLANEOUS	
China Entertainments	12
H.K. Constructions (O)	2¾
" (N)	1.30
Vibro Piling	10
Marsman, Investments	9/-
Marsman, (H.K.)	.75

SINGAPORE STOCK & SHARE MARKET

The Singapore Share Market last week opened like a lamb and went out like a lion. Industrials were always steady, but Tins and, to a lesser degree owing mainly to the reticence of sellers, Rubbers, showed progressive increases in prices with a considerable turnover of shares. An all-time Malayan high for the price of tin was recorded on three successive days on the metal market, closing with a value on Friday of \$700 per picul.

None are so blind as those who will not see. Repeated requests by men of proven foresight and reason have been made to the British Government to state in simple straightforward language that it intends to carry out its treaty obligations with the Federation of Malaya and that Singapore will remain British soil. At present the average inhabitant of Malaya can only see two parties with sufficient latent power to run the country—the British Government and the Communists—and if the intentions of the former cannot be clearly foreseen that, certainly, cannot be said of the intentions of the latter. The opinion is offered that if such a statement had been made Malaya would not have been treated to the spectacle of large numbers of our younger citizens, in the hour of the country's need, attempting to flee to where nothing but extremely hard labour, "volunteering" in Korea or complete indoctrination in Punic faith can await them.

Large parcels of Industrial shares changed hands at quotation and there were buyers over. Sterling Tins were generally very much improved and Bangrins were taken up to 32/4½. There was appreciation of from 5 to 15 cents amongst Dollar Tins and Rahman

Hydraulic, Taiping, Kuchai, Sungei Way and Lingui were in demand. The 10% dividend proposed by Kesang Tin brought buyers at \$1.10, but the later announcement that the mine had been flooded to a depth of 90 feet caused the price to drop to 85 cents cum. div.

Australian Tins announced a number of pleasing dividends and were again the most active section. Sizeable parcels of Austral Amalgamated, Jelapang, Kampong Kamunting, Kampong Lanjut, Larjut, Pungah, Rawang Concessions, Tongkah Harbour and Thabawleik were dealt in, with increases over the period varying from 6d. to as much as 8/- a share.

Rubber shares had buyers of all the popular counters and the volume of business was greater than for some time in this section.

The Local Loan Market was quiet with a tendency for sellers to reduce their prices slightly to bring out purchasers.

BUSINESS DONE

Industrials. Alexandra Brickworks Prefs. \$1.87½, Fraser & Neave Ord. \$3.00, Gammon \$2.20 to \$2.22½, Goodwood Park \$1.00, Wm. Hammer \$34.50 and \$35.00, Hongkong Bank (Col.) \$677.50, Malayan Breweries \$4.85, Malayan Collieries \$1.27½ to \$1.31½, McAlister \$28.00 to \$28.50, Overseas-Chinese Bank \$77.50, Robinson Ord. \$2.17½, Straits Steamship \$15.00, Singapore Cold Storage \$4.60 to \$4.75, Straits Times \$3.00, Straits Traders \$14.15 to \$14.50 to \$14.25, Henry Waugh \$2.20, Wearne Bros. \$2.40 to \$2.45, Wm. Jacks \$2.50 and \$2.52½, Union Insurance \$340.00.

Dollar Tins. Ayer Weng 45 cents and 50 cents, Jeledu 90 cents, Johan 60 cents, Kesang 85 cents c.d., Klang River \$1.37½ to \$1.40, Kuchai \$1.75 to \$1.80, Lingui \$1.37½ to \$1.45, Lukut 21 cents, Petaling \$1.90 to \$5.05, Rantau \$1.05 to \$1.63, Sungei Way \$2.10 to \$2.33½, Talam \$2.32½ to \$2.35, Taiping Consol. \$1.97½ to \$2.10.

Australian Tins. Austral Amalgamated 9/- to 9/9, Jelapang 17/- to 18/-, Kampong Kamunting 30/3 c.d., Kampong Lanjut 24/- to 24/4½, Krarat 9/9 to 10/3 c.d., Kuala Kampar 27/1½ to 28/9, Larut 9/6 to 10/-, Pungah 21/- to 23/6, Rawang Concessions 23/- to 25/-, Rawang Tin 5/6 to 6/-, Sungei Bidor 39/7½ to 40/-, Thabawleik 43/- c.d., Tongkah Harbour 9/6 to 9/9.

Sterling Tins. Ampat 4/3 to 4/6, Bangrin 28/- to 32/4½, Chenderiang 12/9 to 13/8, Kamunting 10/6 to 11/3, Kent 3/4 to 3/6, Pahang 14/1½ to 14/3, Pengkalen Ord. 9/4½ to 9/7½, Southern Kinta 12/9 to 13/9, Sungei Kinta 14/- to 15/4½, Tanjong 11/6 to 12/-, Tronoh 29/-.

Gold. Raub \$1.45.

Rubbers. Allenby 43 cents and 40 cents, Ayer Hitam 49 cents, Ayer Panas 94 cts. to \$1.00, Bassett 26 cents, Batu Lintang \$1.75 to \$1.25, Bedford 85 cents to 87 cts., Benta 65 cents to 68 cents, Bovelli \$1.20, Broga 87 cents, Bukit Katil 65 cents, Changkat Serdang \$1.00, Connemara 57 cents, Glenealy 86 cents to 87½ cents, Jeram Kuantan \$1.07½ to \$1.10, Kempas \$1.95 to \$2.10, Kuala Sidim \$1.00, Kuang Ord. 60 cents, Mentakab \$1.17½ to \$1.20, Nyalas 60 cents to 61 cents, Pajam 96 cents to \$1.00, Riverview 3/2, Sungei Tukang \$1.25 to \$1.30, Teluk Anson \$1.05 to \$1.15 c.d.

Overseas Investments. British:—British-Borneo Petroleum 40/- to 42/-, Distillers 21/7, G.E.C. 87/1, Raleigh Industries 90/1½, African:—African Clothing Pref. 25/-, Tiger Oats Pref. 24/6, Thomas Barlow 25/6, Hongkong:—Star Ferries \$34.00.

HONGKONG COMMODITY MARKET

The year of the Tiger has gone and the year of the Hare has taken its place to the sound of what seemed to be millions of firecrackers let loose simultaneously and spread over two long nights. According to Chinese astrologers the far from being a peaceful animal will bring the third world war, but this, they add, will be short and sharp and will be over before the Hare hops out again. Unfortunately, with the annoying habit common to most astrologers, east or west, having said so much they do not attempt to say who will be the victors; the harassed merchant is consequently left to draw his own deductions as to whether to plan for the approach of normalcy as the Hare exits or whether to let things slide further and to occupy himself by marking time.

The first day of the Lunar New Year week (February 5) was, as usual, a day for final settlements. This is a good habit except that it leads to considerable tightness of money for a period preceding the settlement. All such formalities completed, business can give place to that holiday feeling which, as in the United States on July 5, leads to the letting off of many firecrackers, giving great happiness to the Colony's near neighbour Macao which thrives on making them. The Portuguese colony would be sorely dismayed and would suffer heavy losses were the Chinese to drop this custom of audible rejoicing, which at the New Year has to be sufficiently strong to reach the ears of the Moon whose festival it is. As "foreign" New Year has not superseded the Lunar feast in the matter of settlements, the happy result has followed that the observance of a holiday on January 1 is accompanied by another holiday a month or so later, the latter being longer and of greater importance to the overwhelming majority of the inhabitants of Hongkong.

One interesting point emerging from this year's holiday was that the Chinese communist flag with its five golden stars was as conspicuous by its absence as it had been prominently displayed the year before. The Nationalist flag was shown, though not to any great extent, but the junks and sampans in harbour this year were content to fly the usual plain red "good luck" flag without any emblem.

During the week devoted to holiday-making it is understandable that the commodity markets were more or less inactive. Over the weekend, however, there was an awakening of interest and a few transactions took place. The tone was optimistic in view of signs that the United States authorities might loosen the embargo upon strategic materials where Hongkong requirements were concerned. Possibly the cheerful feeling was also due to the fact that bankruptcies had been very few over the New Year.

S'hai Loan50
S'hai Explor15
Yangtzes	1.90

COTTONS

Ewos	2.40
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Rubber Plantation Shares

Alma Estates	12
Anglo-Dutch60
Anglo-Javas40
Batu Anams35
Bute Plantations	2
Chemor United .....	.55
Cheng Rubbers .....	.52½
Consolidated Rubbers	2.52½
Dominion Rubbers	1.55
Java-Consolidated .....	.20
Kota Bahroe	1.60
Kroewok Javas .....	.20
Langkats .....	.40
Padang Rubbers .....	.30
Repah Rubbers .....	.20
Rubber Trusts	2.60
Samaraga Rubbers .....	.50
Semambu Rubbers .....	.60
Shanghai Kedahs	6½
Shanghai Kelantans .....	.65
Shanghai-Malays	6½
Shanghai Pahang	1½
Shanghai Sumatras	1½
Sua Manggis .....	.10
Sungei Duris	27
Tanah Merahs	1.10
Tebong Rubbers .....	.10
Ziangbe Rubbers .....	.75

Cotton Yarn

Due to buying by Pakistani merchants and the raised indent prices of Indian yarns (Indian 20's are now Rs. 2000 per bale), prices of cotton yarn on the local market showed a further increase: Indian 20's were offered at \$1980 or \$2000 per bale, with Cocatoo brand at \$2300 and Madura Mills at \$2400 per bale; 26 counts also rose, Kotak & Co. selling at \$1940 per bale, and Madura Mills being quoted at \$2200; 32's went to \$2400 for Coimbatore Cotton Mills No. 606, and to \$2450 for Madura Mills, while other brands stood at \$2300 and \$2250 per bale. Hongkong 10's also showed an increase: Camel being offered at \$1800 but other marks going to \$1900 per bale; 20's were around \$2450 to \$2500 per bale; 32's were quoted at from \$2750 to \$2820 per bale.

Metals

Mild steel round bars, being in demand by dealers from China, were the most popular feature on the metals market. Spots of 40', $\frac{1}{2}$ " to 1" were quoted at from \$105 to \$110 per picul and forwards afloat were transacted at the average price of \$104/\$105 per picul, the highest price reached over the past year. No transactions took place in square or angle bars, though prices rose by \$2/\$3 per picul. Mild steel bars were also in demand by traders from China, and even the arrivals of fresh supplies from Japan did not serve to lower prices, the goods being shipped to Hongkong for local building needs only. Sellers quoted \$160 per picul for 4' x 8' 1/16", but no transactions took place; 3/32" was offered at \$150/\$155 per picul. Galvanised iron sheets being a favourite for exchange under the barter system with China showed a rise in prices: 3' x 7' G31 was quoted at \$18 per sheet, but except for speculators who made a few purchases, no transactions took place: G24 was offered at \$1.50 per lb., G26 at \$1.60 per lb. and G28 at \$1.70 per lb.

Industrial Chemicals

Trading in industrial chemicals was particularly slow; only a few transactions being noted: U.S. caustic soda sold at \$425 per drum, U.S. granulated borax fetched \$58 per bag, Quebracho extract was traded at \$1.70 per lb., South African 'Magedi' soda ash sold at \$41 per 90 kilo bag, I.C.I. soda ash in 90 kilo bags fetched not more than \$61 per bag.

Fertilizers

Doubts as to future supplies of sulphate of ammonia caused a further rise in fertilizers: Dutch 'cross axes' sold at \$840 per ton and '66' at \$820 per ton, I.C.I. 'black moon' was transacted at \$800 per ton.

Cement

Despite the arrival of fresh supplies from Japan, the cement market remained dull; sales of Japanese product took place at \$8.20 per 100 lb. bag for spot, lion brand 1 cwt. bags selling at \$8.70 and ex-ship at \$150 per ton.

FINANCIAL REPORTS**HONGKONG CLEARING HOUSE**

The total amount passed through the Hongkong bankers' clearing house in 1950 was \$14,394,009,969. The monthly average for 1950 was \$1199½ m. which was a record, having been 118¼% above the 1947 average, 74% above 1948 and 30.8% above 1949. (Monthly averages in the years 1947-1949 were resp. \$549.5 m., \$688.9 m. and 917.1 m.). The monthly clearing figures for November and December last year were resp. \$1,543,739,850 and \$1,557,247,426.

In January this year the clearing amount was \$1,880,376,913. This figure is 56¼% above the 1950 monthly average and 20¼% above December 1950.

Danish Bate brand white cement was transacted at \$14.50 per 1 cwt. bag. Emeraldcrete rapid hardening cement (Green Island) was offered at \$10.50 per 112 lb. bag (official price \$8.50), Green Island Emerald brand sold at \$9.40 per 112 lb. bag (\$7.50), and Snowcrete (Green Island) was quoted at \$16 per 1 cwt. bag (\$15).

China Produce

The local vegetable oil market was stimulated by improved offers on the London market; buying offers for woodoil (tungoil) have risen to £285 per long ton for woodoil in drums and to £273 per ton for woodoil in bulk. On the local market unprocessed woodoil climbed to \$248 per picul (133.3 lbs.), while the export quality remained at \$255 per net picul. The price of teaseed oil was raised to correspond with an increase on the Canton market, the cost price of fresh supplies being \$270 per picul, while sellers asked \$300 per picul and local exporters counter-offered \$285 per picul, with no transactions taking place. Aniseed oil advanced to \$1350 per picul. Cassia oil was quoted at \$3100 per picul on a dull market.

Cassia lignea continued high in price but with little trading; West River 1 cwt. bale was offered at \$130 per picul f.o.b., but counter-offers were made at \$120; the 80 lb. bale was quoted at \$128 per picul. Ahiseed star (Nanning) 1st qual. was offered at \$230 per picul and the Honan 2nd qual. rose to \$220 per picul.

Arrivals from China have been in greater quantities of late, but as the greater part were for transshipment the market was unaffected:

Woodoil	2,000 drums
Teaseed oil	1,200 "
Rapeseed oil	1,130 "
Cassia lignea	1,689 pieces
Groundnuts	32,234 bags
Groundnut oil	370 drums
Flax	30 tons
Tea	2,833 cases
Rice	26,500 piculs
Sesame seed	11,475 bags

HONGKONG FREE EXCHANGE & GOLD MARKET**Gold**

For the four weeks period of January 8 to February 3 (Prior to Chinese New Year) the highest and lowest prices of gold of .945 fineness were \$346½—320½, corresponding to .99 fine tael prices of \$363—335¼, and to .99 fine oz prices of \$301.67—279.02. The highest crossrate for the four weeks period was US\$50, the lowest US\$47.

Total contracts in the forward market were 987,000 taels (of .945 fine); total cash sales 195,790 taels; total imports 108,500 taels; total exports 48,200 taels.

The closing price on Feb. 3 (before the Chinese New Year holidays) was \$326¼ per .945 fine tael (or per .99 fine tael and oz respectively \$342.30 and \$284½). The crossrate on that day was US\$47¼. Day by day rates and other data are given below for the four weeks from Jan. 8 to Feb. 3.

Report for the week 8th to 13th January 1951:—(Prices in HK\$ per tael of .945 fineness)

	HIGH	LOW
8th Jan.	346.50	332.50
9th Jan.	346.50	337.75
10th Jan.	348.00	334.75
11th Jan.	339.00	332.00
12th Jan.	346.00	333.50
13th Jan.	337.25	332.25

Cross Rates: High US\$49.70, low 48.55 per fine ounce.

Interest favoured sellers \$1.03 per tael per day or at 15.75% p.a.

Contracts: 285,000 taels or daily average of 47,500 taels.

Positions: 132,000 taels (daily average).

Cash Sales: Total 47,350 taels (Official 39,850 and unofficial 7,500 taels).

Arrivals in Macao: 40,000 ounces. Contracts C.I.F. Macao concluded: 35,000 oz. or US\$46¼ to 48½.

Imports: 18,500 taels (mainly from Macao). Exports: 12,000 taels (5,000 taels to India, 3,500 taels to Bangkok, 2,500 taels to Singapore, and 1,000 taels to Indonesia).

Difference paid for .99 fine: \$15.80—15.60 per tael. Difference paid for .97 fine: \$6.50 per tael.

Local Goldsmiths' consumption: 4,500 taels.

Market Report: World political and Korean war news repeatedly stimulated prices, but heavy arrivals in Macao and expected further arrivals caused market to ease off.

Report for the week 15th to 20th January, 1951:

	HIGH	LOW
15th Jan.	335.25	328.25
16th Jan.	336.75	331.50
17th Jan.	334.00	325.00
18th Jan.	333.00	329.00
19th Jan.	341.00	333.00
20th Jan.	339.75	336.00

Cross Rates: High US\$50.00, low US\$49.00 per fine ounce.

Interest favoured sellers \$1.35 or at 20.65% p.a.

Contracts: 272,400 taels or daily average at 45,400 taels.

Positions: 118,500 taels (daily average).

Cash Sales: Total 49,670 taels (Official 34,670 taels and unofficial 15,000 taels).

Arrivals in Macao: 75,000 ounces. Contracts C.I.F. Macao concluded: 40,000 ounces at US\$47.20-46.50.

Imports: 26,000 taels (mainly from Macao, with small amount from Manila). Exports: 15,500 taels (8,000 taels to Bangkok 6,000 taels to Singapore and 1,500 taels to Indonesia).

Difference paid for .99 fine: \$15.50-15.20 per tael. Difference paid for .97 fine: \$6.50 per tael.

Local Goldsmiths' consumption: 5,700 taels.

Market Report: Heavy arrivals in Macao and liquidation of overbought positions prior to Chinese Lunar Year, slightly eased off rates.

Report for the week 22nd to 27th January 1951:-

	HIGH	LOW
22nd Jan.	335%	333.25
23rd Jan.	335.00	327.75
24th Jan.	329.50	326.00
25th Jan.	332.00	325.50
26th Jan.	328.75	325.25
27th Jan.	328.00	325.50

Cross Rates: High US\$49.03, low 47.90 per fine ounce.

Interest favoured sellers \$1.61 or at 25.35% p.a.

Contracts: 235,200 taels or daily average at 39,200 taels.

Positions: 109,300 taels (daily average).

Cash Sales: Total 47,680 taels (Official 36,080 taels and unofficial 11,600 taels).

Arrivals in Macao: 20,000 ounces. Contracts C.I.F. Macao concluded: 20,000 ounces at US\$46.90-46.85.

Imports: 35,500 taels (mainly from Macao). Exports: 12,000 taels (7,000 taels to Singapore and 5,000 taels to Bangkok.)

Difference paid for .99 fine: \$13.30-14.90 per tael. Difference paid for .97 fine: \$6.50 per tael.

Local Goldsmiths' consumption: 6,300 taels.

Market Report: World news seemed to have little effect, the increasing local stock, heavy imports and high interest pulled prices down.

Report for the week 29th January to 3rd February, 1951.

	HIGH	LOW
29th Jan.	325.75	320.75
30th Jan.	324.50	320.50
31st Jan.	328.50	322.50
1st Feb.	329.75	325.00
2nd Feb.	327%	324.50
3rd Feb.	327.50	324%

Cross Rates: High US\$47.96, low 47.03 per fine ounce.

Interest favoured sellers \$1.82 or at 28.65% p.a.

Contracts: 194,400 taels or daily average at 32,400 taels.

Positions: 89,500 taels (daily average).

Cash Sales: 51,090 taels (Official 42,790 taels and unofficial 8,300 taels).

Arrivals in Macao: 35,000 ounces. Contracts C.I.F. Macao concluded: NIL.

Imports: 28,500 taels (mainly from Macao). Exports: 8,700 taels (5,600 taels to Singapore and 3,100 taels to Bangkok).

Difference paid for .99 fine: \$15.20-14.70 per tael. Difference paid for .97 fine: \$6.50 per tael.

Local Goldsmiths' consumption: 8,400 taels.

Market Report: Activities were reduced due to the approaching Chinese New Year, but market was easy on the heavy local stock, and also expected arrivals in Macao.

US\$

For the 4 weeks period of January 8 to February 3 the highest and lowest rates per US\$ 100 were as follow:-US notes HK\$612-587, DD 594-568½, TT 611½-583. Crossrates US\$2.616-2.744 (being 2 to 6.6% lower than official London/New York rate; DD for a time even exceeding official cross).

Sales during the four weeks under review: TT New York US\$ 3 million, DD US\$ 1,747,000, notes US\$1,310,000, making a total of US\$6,057,000. TT sales for the four weeks were respectively US\$760,000, \$690,000, \$830,000, and \$720,000.

Highest and lowest TT rates, in HK\$ per US\$100:-

	HIGH	LOW
8th Jan.	611½	590½
9th Jan.	606	600
10th Jan.	604	601½
11th Jan.	602	596
12th Jan.	599	597
13th Jan.	598	595
15th Jan.	597	592
16th Jan.	596	590
17th Jan.	595	590
18th Jan.	593½	592
19th Jan.	594	583
20th Jan.	590½	587
22nd Jan.	590	587
23rd Jan.	591½	588
24th Jan.	591	587
25th Jan.	602	588
26th Jan.	597	593
27th Jan.	594	593
29th Jan.	597	592
30th Jan.	600	596
31st Jan.	606	596
1st Feb.	608	600
2nd Feb.	601	596
3rd Feb.	598	594½

U.S.\$ NOTES AND D.D.

	NOTES		D. D.		TOTAL SALES
	HIGH	LOW	HIGH	LOW	
8th to 13th Jan.	612	597	594	578	US\$487,000
15th to 20th Jan.	599½	591	590½	568½	US\$435,000
22nd to 27th Jan.	601	587½	590½	582½	US\$420,000
29th Jan. to 3rd Feb.	599½	587	599½	588½	US\$405,000

SILVER

Rates in HK\$, and business done:-

WEEK	PER Tael BAR		PER COIN \$ COIN		PER 5 COINS 20 cta. COIN		WEIGHT TOTAL BUSINESS TRANSACTED
	HIGH	LOW	HIGH	LOW	HIGH	LOW	
8-13 Jan.	6.00	5.40	3.80	3.44	2.85	2.64	160,500 taels
15-20 Jan.	6.00	5.95	3.82	3.80	3.18	3.18	132,000 "
22-27 Jan.	6.05	6.03	3.85	3.83	3.18	2.93	125,000 "
29 Jan.-3 Feb. ..	6.05	6.05	3.85	3.85	3.18	2.95	87,000 "

BANK NOTES

WEEK	PIASTRE	PESO	YEN	INDONESIAN RUPIAH	BAHT
8-13 Jan.	11.80-11.20	1.34-1.68	138-134	45.00-33.00	27.10-27.00
15-20 Jan.	12.20-11.80	1.68-1.63	138-135	34.00-34.00	27.10-27.00
22-27 Jan.	18.20-12.35	1.62-1.61	148-138	34.00-34.00	27.10-27.00
29 Jan.-3 Feb. ..	18.10-12.50	1.61-1.55	153-151	34.00-34.00	27.10-27.00

Rates in HK\$, per 100 piastres, baht and Indonesian rupiahs; per one peso; per 10,000 Yen.

CHINESE EXCHANGE

The official rates in China were again changed in favor of the PB\$ and the new rates went into force on the 20th January (last upward revision of the PB\$ was announced beginning of January, vide our issue of Jan. 11, p. 59). The new People's Bank rates for TT London, TT New York and Hongkong are respectively PB\$62,350, PB\$22,890, and PB\$3880. Previous official rates were resp. 68,370, 24,900 and 4200. The appreciation of the Chinese currency amounted to 8½% (per one million People's Bank dollar HK\$257¼ at present against previous to Jan. 20 HK\$ 238.10).

Following are local free market rates for PB\$ (notes and DD Canton) and also remittance rates for foreign exchange and gold between Hongkong and China (incl. Taiwan).

PB\$ Free Market Rates (in HK\$ per one million PB\$)

Week	PB\$ Notes		Total Traded PB\$ Notes	High PB\$		Low PB\$	Total Traded PB\$
	High	Low		Remittance	Remittance		Remittance
8-13 Jan.	250	241	1550 million	236½	230	1820 million	
15-20 Jan.	252	213	1540 "	245	207	1650 "	
22-27 Jan.	273½	263	1760 "	246½	234	2100 "	
29 Jan.-3 Feb.	265	263	1270 "	243½	228	1750 "	

Remittances in HK\$, US\$ and Gold

	HK\$		Total Traded Canton	Gold		US\$	
	Canton High	Canton Low		Shanghai	Shanghai	Taiwan	Taiwan
8-13 Jan.	1010	1008	HK\$240,000	1020-1015	945-940	700-695	890-880
15-20 Jan.	1008	1000	HK\$190,000	1020-1010	940-935	685-680	880
22-27 Jan.	1001	995	HK\$180,000	1020-1005	930-925	720-690	885-875
29 Jan.-3 Feb. ..	995	994	HK\$185,000	1020-1010	925-920	800-770	880

Rates are quoted in Hongkong for 1000 units in Canton, Shanghai and Taiwan.

JAPAN'S FOREIGN TRADE

Trade in September. The export value index compiled by the Ministry of Finance (monthly average for 1949=100) recovered sharply from the bottom of 79 in May to 189 in September, the highest record in the post-war period, affected by the international circumstances. On the contrary, imports continued stagnant due to the lack of yen funds for import despite the accumulation of foreign currencies owing to active exports, the index being 69 in that month. Value of exports amounted to 26,630 million yen, or an increase of 1,152 million yen compared with the previous month, and imports 15,877 million yen or an increase of 2,824 million yen, thus the excess of exports over imports being 10,753 million yen or a decline of 1,672 million yen in comparison with the previous month.

By commodities, exports of textiles accounted for 51 per cent of total exports, totalling 13,641 million yen, in which cotton tissues (6,130 million yen) increased by 320 million yen occupying 45 per cent of exports of

Hongkong's Silver Trade in Dec., 1950

Silver (bars or ingots)

Countries	Imports		Exports	
	Quantity Ounces	Value \$	Quantity Ounces	Value \$
U. K.	—	—	320,036	1,448,553
Macao ..	40,500	159,165	—	—
Thailand ..	—	—	5,347	16,000
U. S. A. ..	—	—	53,519	187,320
Total ..	40,500	159,165	378,902	1,651,873

Silver coins

Countries	Imports		Exports	
	Quantity Ounces	Value \$	Quantity Ounces	Value \$
U. K.	—	—	95,460	430,860
Total ..	—	—	95,460	430,860

As regards imports, textile materials ranked first (5,281 million yen), followed by foodstuffs, (4,456 million yen), chemical fertilizers, mineral oil, metal ore, etc. Textile materials, foodstuffs, fertilizers, metal ore and salt increased compared with the previous month, whilst rubber, mineral oil, phosphate rock showed a decrease which was most pronounced in mineral oil (a 458 million yen decrease).

According to the statistics of export licence compiled by the Ministry of International Trade and Industry, figures in September amounted to 66,550,000 dollars, decreasing by 7,310,000 dollars from August and 7,700,000 dollars from the peak figure in July, due to the decrease of textiles and non-ferrous metals, though a strict comparison is impossible due to the revision of classification in September. By areas, export licences to the sterling areas and the open account areas, especially the former, showed a rapid decrease resulting in the decrease of the total amount. The decrease was attributable to the fall of capacity of exports due to the concurrence with the special demands regarding iron and steel and with the domestic demands regarding textile goods. In the sterling areas, export licences to India and South Africa increased whilst the United Kingdom, Australia, Burma and especially Pakistan decreased. Among the open account areas, Indonesia, Germany, Hongkong, etc. increased whilst Argentina, Thailand, etc. decreased. Exports to Hongkong have shown an increasing tendency after the outbreak of hostilities in Korea, and the fact that the main reason for this increase is, it is said, the increase of re-exports to Communist China attracts serious attention. On the other hand, export licences for the dollar areas increased by 730,000 dollars, principally due to the increase in iron and steel and miscellaneous goods, especially the latter. By countries, China and Formosa increased whilst the United States and Canada decreased.

Foreign trade policy. Recent situation continued favourable resulting in the accumulation of dollar funds and lack of yen funds of the Foreign Exchange Special Account. In addition, it becomes essential to secure sufficient supply of raw materials, and therefore, stress was laid on imports instead of exports in our foreign trade policy, measures to promote imports such as the usance bill system being applied in this view point. But the export restriction of foreign countries tends to be strengthened reflecting the world-wide expansion of armaments, many difficulties being forecasted in the future of our imports. One of the most difficult problems is in imports of raw cotton. Allocation of exports of raw cotton for Japan by the United States during the August-March period was fixed at 550,000 bales, thus the total supply

VALUE INDEX OF EXPORTS AND IMPORTS

(1949 monthly av.=100)

1950	Exports	Imports
January	95.9	65.5
February	108.6	91.1
March	134.0	119.2
April	113.0	87.8
May	79.5	44.9
June	169.1	86.6
July	163.7	65.3
August	187.1	57.1
September	189.2	69.4

including stocks being estimated to be about 1,530,000 bales, as against the estimated consumption of 1,180,000 bales. Therefore, stocks will be exhausted at the end of June, if the additional allocation would not be materialized until the said period. To tide over these difficulties the government solicited GHQ the additional allocation and endeavoured to purchase raw cotton from the sterling areas especially from Pakistan. But on the other hand, imports from the sterling areas seems difficult due to the in-

active export to those areas and the lack of pound sterling funds. As countermeasures, the government is, it is said, studying to (1) lay stress on imports of raw wool and raw cotton from the sterling areas and to import other commodities from other areas, (2) after October, to publish official announcements for imports in consideration with the actual results of exports and (3) to solicitate GHQ the settlement of imports from sterling areas by dollar.

gradually increased, expediting the former authorized limit of 4 million spindles at the end of September.

The number of spindles is expected to reach 4,880,000 spindle at the end of September 1951.

The necessary volume of raw cotton to meet the estimated production capacity will amount to over 2 million bales in a year, with running stocks estimated at only one month's consumption. According to the United States government announcement in September concerning the restriction of exports of American raw cotton, imports of Japan will be only 880,000 bales in one year ending on July 31, 1951 (550,000 bales in August-March; 330,000 bales, estimated, in April-July). To meet with this curtailment the General Headquarters are endeavouring to secure 1,100,000 bales of American raw cotton (including 100,000 bales destined for special military demands), but it is indispensable to procure the remaining 900,000 bales from other countries, 300,000 bales of which were already purchased. The government schedules an additional purchase of non-American raw cotton as follows; 100,000 bales from Pakistan, 200,000 bales from Central and South America, 150,000 bales from Africa (incl. Egypt) and more than 50,000 bales from other districts such as Turkey, Iran, etc. Thus, it is necessary to and or increase the volume of raw cotton to be imported in the trade agreements and to purchase with dollar funds from non-agreements countries.

Free market prices of cotton yarn, which showed a gradual decline since the middle of August due to the strengthened anti-profiteering measures and the suspension of speculative buying, turned to be upward towards the end of September, quotations advancing from 185,000 yen per bale (20S) on September 21 to 210,000 yen on October 26. The recent price advance was naturally attributable to the export restriction of American cotton and the resultant active demand for cotton yarn both at home and abroad.

Cotton tissues. Due to the typhoon damages, cotton tissues production in September remained almost unchanged compared with the previous month. Production of spinning companies which endeavoured to restore production equipment under the SCAP's directive to meet special military demands, showed an advance of 5 per cent, whilst output by manufacturers engaged solely in tissue production declined by 3 per cent, the decline in Osaka prefecture reaching 26 per cent due to the fact that small and medium sized manufacturers were largely affected by the typhoon damages which could not easily be recovered owing to the financial weakness.

FOREIGN TRADE RESULTS (in million yen)

Export	June	July	Aug.	Sept.
Food & drinks	1,715	2,221	2,632	1,725
Textile materials & manufactures ..	10,796	9,806	12,805	13,641
Timber	450	442	490	566
Chemicals	280	308	462	586
China & porcelain	647	566	717	812
Iron & steel	1,930	1,957	2,214	2,231
Non-ferrous metals	2,523	2,081	1,854	2,050
Machinery	2,314	1,557	1,560	1,634
Miscellaneous goods	1,301	1,240	1,227	1,443
Total incl. others	23,693	21,795	25,498	26,630
Import				
Foodstuffs	9,964	7,000	3,629	4,456
Textile raw materials	9,016	5,647	3,744	5,281
Rubber & resin	663	1,040	1,247	976
Mineral oil	530	968	1,062	604
Phosphate rock	838	286	336	281
Fertilizer	879	1,230	407	890
Cool	206	414	328	430
Salt	15	38	0	107
Metallic ore	352	258	400	547
Total incl. others	25,094	19,348	13,053	15,877

EXPORT LICENCE BY AREAS AND BY COMMODITIES IN SEPTEMBER (in 1,000 dollars)

	Open account areas	Sterling areas	Dollar areas	Total
Foods & drinks	1,471	389	3,968	5,827
Textile products	7,899	9,191	8,640	25,533
Cotton goods	5,468	6,924	1,957	14,149
Raw silk	489	432	2,487	3,408
Silk goods	292	361	2,784	3,437
Chemical fibre goods	1,354	1,438	604	3,396
Other textile goods	296	39	808	1,143
Timber & pulp	286	721	2,277	3,284
Animal & vegetable products	260	156	727	1,143
Chemicals	1,702	657	825	3,184
Non metallic ore	843	906	2,011	3,760
Iron & steel	2,472	1,782	2,940	7,194
Non-ferrous metals	959	1,131	3,042	5,032
Machinery	1,339	1,094	5,025	7,459
Miscellaneous goods	484	409	3,241	4,134
Total	17,615	16,239	32,696	66,550

JAPANESE COMMODITY REPORTS

Cotton yarn and tissues

Cotton yarn. Owing to the typhoon damages in the Kansai district in September the production increase in September was largely checked, monthly output being only 6 per cent over the previous month.

Despite the above typhoon damages, the operation ratio was rather favourable, reaching 96.2 per cent in the month as against 94.5 per cent in the previous month.

After the removal of the equipment restriction, the number of spindles has

Overseas demands continued to be active, but, owing to the lack of supply for near-month delivery and the hesitance of exporters to sell for future delivery in anticipation of higher prices, export contracts in September decreased by 13 million yards. Contracts in the month were concentrated on tissues for the next year delivery. By destinations, Indonesia ranked first with 11,235,000 yards purchased with E.C.A. funds, followed by Formosa (9,094,000 yds), Pakistan (8,381,00 yds), the United Kingdom (7,398,000 yds), Burma (6,459,000 yds), Thailand (6,031,000 yds), etc.

Except for contracts with the United Kingdom which purchased grey clothes for re-export purpose after processing,

the greater part of the contracts were concluded with South-east Asiatic countries. The activity in exports to South-east Asia will partly be attributed to the fact that India suspended the export of cotton tissues to this area owing to the high raw cotton prices and labour unrest in cotton spinning industry.

The inactivity in exports to African market was due to the competition with English and Italian tissues. Especially it must be noted that South African countries imposed 50 per cent dumping duty on Japanese tissues which ranked first in imports of these countries followed by American, English, and Indian tissues.

Total demands of raw silk during this year are estimated at 180,000 bales, including 80,000 bales of exports and 24,000 bales of domestic consumption for export products and 76,000 bales of domestic use, whilst supply is estimated to be 160,000 bales, of which the domestic production is 130,000 bales and the release from CILC 30,000 bales. Owing to the shortage in supply, the stabilization of prices cannot be expected. Under these circumstances, it is worthy to note that the Japanese plan concerning the stabilization of raw silk prices was approved at the International Silk Conference held in New York from October 16 to 20. The gist of the plan is as follows.

(1) To establish maximum and minimum prices, the fluctuation of prices being allowed within this limit.

(2) To create a governmental or private organ to stabilize prices through buying and selling.

(3) To establish standard prices which will be maintained by the organ through buying and selling.

However, there remain several problems in relation to the Anti-Trust Law.

Chemical fibre

The production of rayon filament yarn and rayon staple, which continued favourable since the beginning of this year, declined by 3 per cent and 1 per cent respectively in September. The inactivity was partly due to the shortage in power supply caused by the typhoon damages in the Kansai district on September 3. It is undeniable that manufacturers restrained their production in anticipation of the unfavourable supply of rayon pulp in the future. To achieve the production program of the next year, it is indispensable to secure more than 200,000 tons of rayon pulp, whilst domestic production is estimated at 100,000 tons and more than 100,000 tons must be imported. The import target of rayon pulp was, however, limited to 85,000 tons, (Sweden 43,000 tons, Finland 7,000; Norway 7,000; Canada 19,000; U.S.A. 10,000) and moreover import contracts amounting to only 48,000 tons are expected to be concluded. In order to secure the remaining 37,000 tons, the improvement of import procedure is earnestly required. On the other hand, the domestic production target was also reduced to 95,000 tons. Under these circumstances, the establishment of new pulp manufacturing companies is under consideration to fill up the shortage in supply of rayon pulp.

In accordance with the G.H.Q. memorandum of October 23, the restriction on the equipment of chemical fiber industry was abolished. Consequently, the production quota by companies was also abolished, and the production will, hereafter, be

Production	1950		1949
	Sept.	Aug.	Sept.
Cotton yarn (1,000 lbs.)	46,845	44,082	31,347
Cotton tissues (1,000 sq. yds.)	130,077	129,978	82,096
Export contract			
Cotton tissues (1,000 yds.)	74,262	86,857	59,240
Export price			
Cotton tissues (grey No. 2003) (cent per yds.)	24½	23¼	

	Sept.	Aug.	June
No. of spindles installed	4,014,854	3,928,078	3,886,750
" workable	4,005,748	3,912,876	3,867,992
" in operation	3,851,862	3,697,528	3,655,321
Operation ratio (%)	96.2	94.5	94.5

Raw silk

Despite the enlarged equipment and the advancing operation ratio (from 79.4% to 81.4%), the output of raw silk in September declined by 1 per cent compared with the previous month due to the increased use of summer-autumn cocoons. By denier, the output of 13/15 denier declined by 17 per cent compared with the previous month, 20/22 denier advanced by 1 per cent and others declined by 4 per cent. The relative importance in total output was 6.6 per cent for 13/15 denier, 85.2 per cent for 20/22 denier and 1.2 per cent for others. The big decline in 13/15 denier was due to the large release from CILC. Domestic consumption of raw silk for export and domestic use of the products thereof turned to decline in September due to the price advance. On the other hand, exports

continued active and exceeded 10,000 bales, registering the peak since the last year, as a result of which stocks declined markedly. Sharp increase in exports was mainly attributable to shipments to the United States (7,872 bales). Shipments to Switzerland, India and Indo-China also showed a marked increase compared with the previous month. The first purchase by Italy where the silk industry has been inactive is worthy of note. Raw silk consumption in the United States, which declined from 8,684 bales in August to 5,536 bales in September is expected to maintain the September level in October, in view of small stocks of 11,319 bales, estimated consumption of 60,000 bales during this year and the actual result of 47,980 bales during the period of January-September.

	1950		1949
	Sept.	Aug.	Sept.
Production (bales)	16,378	16,522	15,951
Stocks at factories (bales)	8,936	8,630	10,782
Purchase by wholesalers (bales)	16,308	14,973	12,567
Consumption (bales)			
Domestic	9,673	12,516	11,808
Export	12,218	9,599	2,103
Stocks held by distribution organs (bales)	14,652	20,235	54,720
Price (2A 20/22 yen per bale)			
Domestic	178,500	181,750	155,750
Export	182,000	181,000	163,000

controlled by the supply and demand situation and price movement. However, under the present pulp supply conditions, the rapid increase in production cannot be expected.

The output of rayon staple yarn advanced by 8 per cent compared with the previous month due to the favourable rayon staple production and

the active demands at home and abroad. Prices of rayon filament yarn turned to advance in anticipation of the unfavourable development of the materials position, and those of rayon staple also advanced in expectation of the increasing demand as substitutes of cotton yarn which will be affected by the export restriction of American cotton.

turned to decline. Shipments in September continued to increase, reaching 3,172,000 tons. This favourable situation is attributable to the Korean war, though its affect has been indirect and slow.

Coal prices which slackened in July and August owing to the seasonal low demands and the accumulated unsold stocks, recovered gradually in October due to the increasing demands and the difficulties in transportation. In expectation of the active demands in the coming winter, coal mining companies raised their selling prices. For example, Seika Mining Co. raised selling prices of coal produced in Joban districts by 150-200 yen and of those in Kyushu and Hokkaido by 200-300 yen per ton in October compared with the previous month.

Production	1950		1949
	Sept.	Aug.	Sept.
Rayon filament yarn (1,000 lbs.)	9,171	9,477	5,006
Rayon staple (1,000 lbs.)	14,060	13,885	5,698
Spun rayon yarn (1,000 lbs.)	8,534	7,938	3,775
Other man-made fibre (1,000 lbs.) . .	208	197	34
Rayon filament tissues (1,000 s.q.) . .	35,655	36,822	10,514
Spun rayon tissues (1,000 s.q.)	19,706	19,837	6,054

The output of synthetic fibre advanced by 8 per cent and glass fibre declined by 10 per cent.

The output of rayon filament tissues declined by 3 per cent due to the falling domestic demand, though the production for export use was favourable, centering on "shioze" and satin, due to the active overseas demand.

Overseas demands for rayon filament tissues from South-east Asia are most active and those from Pakistan and Hongkong are expected to increase in the future. There are also some demands from Rangoon and Singapore.

Coal

Coal output in September advanced by 8.4 per cent from the previous month, recovering the level of January-

July. With a decrease in the number of workers, coal output per worker advanced to 8.8 tons, approaching the post-war high of 8.9 tons in July. The decline in the number of workers since July reflects the restriction on new employment due to the lack of working funds caused by the accumulation of stocks, the decline of coal prices, the delay in the release of Counterpart Fund, the expansion in accounts receivable, etc. Coal shipments in August became somewhat active, and reached 2,889,000 tons (excl. imported coal amounting to 92,000 tons), showing an increase of 200,000 tons (imported coal, 9,000 tons). Industrial purposes advanced remarkably, with a particular increase for chemical, spinning, pulp, and paper, glass and other ceramic industries. Thus, unsold stocks which continued to increase since April

Iron and Steel

Since the outbreak of the Korean war, the market situation of iron and steel has been bullish through special military demand and increased exports. Production which experienced a temporary setback immediately after decontrol on July 1 recovered, and continued to move upward, but could not meet the increasing overseas and domestic demands. Manufacturers had to suspend the conclusion of export contracts for future delivery by the end of September. Sales by wholesale merchants of ordinary rolled steel in September increased by 185 million yen compared with the previous month and reached over 6,000 million yen. Shipments to the shipbuilding industry declined due to delay in the settlement of the sixth shipbuilding plan, whilst deliveries to the construction and vehicle industries as well as export shipments registered an advance.

Reflecting the improved market situation manufacturers' selling prices of ordinary rolled steel advanced from 68 dollars for steel bars immediately after decontrol to 75 dollars for November and December delivery, gradually approaching the former official price of 85 dollars including subsidy. Under these circumstances, subsidies for ordinary pig iron which were reduced on July 1 were again curtailed on October 28, and following this measure, the price of ordinary pig iron was raised by 20 per cent, whilst the increase for self-consumption was limited to 6 per cent.

Difficulties are anticipated in securing imports of fundamental raw materials such as iron ore, coking coal, scrap iron, manganese ore, etc. and in the raising of funds for the repair and modernizing of equipment and for increased working funds following a higher operation ratio.

COAL PRICE (in yen per ton)					
	April	May	June	July	Sept.
Ordinary					
Kyushu	4,530	4,530	4,530	4,330	4,330
Hokkaido	4,490	4,490	4,490	4,290	4,290
Joban	3,387	3,387	3,387	3,210	3,172
Coking coal	4,820	4,820	4,820	4,820	4,820
Coal for gas producer use	5,010	5,010	5,010	5,010	5,010

	1950		1949	Whole year	
	Sept.	Aug.	Sept.	1949	1948
Production	3,191	2,943	3,207	36,968	33,725
Shipments	3,172	2,889	2,307	33,491	34,395
Month-end stocks		4,198	5,637	4,948	1,337

	1950		1949	Whole year	
	Sept.	Aug.	Sept.	1949	1948
Production					
Ordinary pig iron	170,736	167,084	108,135	1,370,930	662,623
Ordinary rolled steel . . .	252,891	246,992	174,119	1,967,910	1,027,396
Special rolled steel	7,594	6,269	5,298	78,686	85,456
Month-end stocks of ordinary steel	377,442	364,147	169,760	161,760	—

FAR EASTERN ECONOMIC REPORTS

INDOCHINA

Foreign Trade

In the first six months of 1950, Indo-China's imports reached 1.7 billion piasters (US\$84.3 million converted at the rate of 20.5 piasters to one U.S. dollar), whereas exports were 614.9 million piasters (US\$30.0 million). Thus the import balance exceeded by almost 100 million piasters the balance for the first half of 1949, when imports were 1.6 billion piasters and exports 613.3 million. Furthermore, imports rose to 408.8 million piasters in July 1950—well above the average monthly figure for the first six months. Although July export figures have not yet been compiled, no corresponding rise was indicated. This trend might be expected to continue, as the rise in rubber prices will probably be more than offset by the prohibition of all rice exports from August 1950.

The United States was again the second largest supplier, after France and the French Union, accounting for 145.6 million piasters worth of imports in the first seven months of 1950, or 6.3 per cent of the total (10 per cent in the like period in 1949), compared with 78 per cent for France and the French Union (72 per cent in 1949). Other leading suppliers were China and Indonesia, each with roughly 3 per cent of the total by value. The chief imports, as in 1949, were cotton cloth and machinery and equipment.

Exports to the United States rose from less than 1 per cent of the total by value in the first six months of 1949 to 20 per cent in the first six months of 1950. This increase was due to the renewed interest of the United States in Indo-Chinese rubber following the general price rise which enabled this rubber to compete in world market. France and the French Union received

49 per cent by value of Indo-China's exports during the first half of 1950, compared with 68 per cent in the first half of 1949—a reduction which exactly offset the gain made by exports to the United States. Other principal importers of Indo-Chinese goods were Hongkong (12 per cent) and Thailand (3.5 per cent). Rubber replaced rice as the principal export.

PHILIPPINES

Agriculture

Exports of coconut products from the Philippines in the nine months through September 1950 totaled 454,959 long tons of copra, 46,625 long tons of coconut oil, and 59,260 short tons of desiccated coconut. During the corresponding period last year, shipments were 407,017 long tons of copra, 46,160 long tons of coconut oil, and 47,501 short tons of desiccated coconut. At the end of October, copra prices were quoted at 35.5 pesos per hundred kilograms (1 peso = US\$0.50); a year earlier the price was 14.75 pesos.

Trade sources estimate that exports of centrifugal sugar from the 1950 crop will total 475,000-480,000 short tons, a significant drop from the 1949 crop. Milling of the 1951 crop, variously estimated at between 950,000 and 1,050,000 short tons, was scheduled to start at the end of October. Some new-crop sugar therefore may be available for export before the close of the year.

Official estimates place the 1950 tobacco crop at 26,500 metric tons, a 20 per cent increase over output in 1949. Prices in October continued at the September level, with Isabela leaf quoted at about 150 pesos per bale of 254 pounds.

According to revised estimates, the 1950 rice crop reached 2.58 million metric tons of paddy, from plantings of 2,214,000 hectares. The 1951 crop is forecast on a preliminary basis at 2.62 million tons of paddy, from plantings of 2,325,000 hectares. Rice prices rose considerably during October, and at the end of the month Macan second class was selling at 25 pesos per cavan (cavan of paddy = about 95 pounds), compared with 21.75 pesos in September.

JAPAN

Vegetable Oilseeds and Oils

The bulk of the vegetable oils produced in Japan is extracted from imported raw materials, chief among which are soybeans, peanuts, copra, flaxseed, castor beans, and cottonseed.

Vegetable-oil production in the first 7 months of 1950 was reported at 56,058 metric tons of crude oil, of which 50,608 tons were produced from imported materials. The Oil and Sugar Public Corporation of the Japanese Government estimates that total 1950 production of crude vegetable oil will reach about 100,000 tons.

The most important oilseeds produced in Japan, in terms of production volume, are soybeans, rapeseed, peanuts, sesame seed, and perilla seed. Production of rapeseed in 1950 is estimated at 119,208 metric tons, a 200 per cent increase over the 1949 output; while soybean production, estimated at 333,516 tons, represents an increase of 10-15 per cent. Slight production increases are anticipated in the other vegetable oilseeds.

The Ministry of Agriculture and Forestry anticipates that the 1950 rapeseed crop will yield an exportable surplus of about 12,000 metric tons. Rapeseed is the only indigenous oilseed likely to be exported in any sizable quantity.

Data are not available on vegetable-oil production from domestic perilla seed, sesame seed, and peanuts, which are no longer under production control. The Ministry of Agriculture and Forestry estimates that 80 per cent of domestic perilla seed, 70 per cent of domestic sesame seed, and 20 per cent of domestic peanuts may be processed for oil.

Until recently the Japanese Government maintained distribution and price controls on vegetable oilseeds and vegetable oils. Some oilseeds and oils were

decontrolled early in 1950, and on October 20, 1950, all vegetable oils, oilseed cakes, and oilseeds (except soybeans) were decontrolled. The Japanese Government will continue for a few months to purchase small quantities of certain oilseeds to fulfill previous commitments.

In 1951 the country's supply of vegetable, animal, and fish oils from domestic production and imports will amount to about 320,000 metric tons, the Japanese Government estimates. This supply will permit a per capita consumption for food and industrial purposes of about 3.9 kilograms (1 kilogram = 2,204.6 pounds), which compares well with the average annual per capita consumption of 4 kilograms in the period from 1937-40. In comparison with vegetable oil consumption in Western countries, however, Japanese consumption is extremely low. There is a possibility of increased consumption if a greater supply is obtainable, but the Japanese diet and cooking methods place a definite limitation on the demand for vegetable oils.

The Japanese Government is vigorously promoting the improvement of acreage yields and the development of new areas for vegetable-oilseed cultivation. Japan will, however, continue to depend largely on imports to supply its requirements of vegetable oilseeds and oils.

1951 Budget Estimate

The Japanese Cabinet approved on September 20 a draft budget plan for the fiscal year 1951 (April 1951 to March 1952), with total expenditures of 598 billion yen and total revenue of 673 billion yen. The expenditures figure is about 10 per cent lower than that of the current year. This reduction is made possible by a curtailment of subsidies, based on the so-called "Dodge Plan" adopted since 1949 for balancing the budget. In the immediate prewar years, a substantial portion of the national budget was for government subsidies to increase the production of key materials and maintain the low price system. Such subsidies represented 24 per cent of total expenditures in 1949, and 10 per cent in 1950; they have been cut further, to 5 per cent, in 1951. The 1951 subsidies are primarily for food-stuff imports. Expenditures for public works, on the other hand, have been increased slightly. Equalization grants are to be paid to the local governments from and according to the size of the budget surplus.

Sterling Trade with Japan

A new arrangement, covering the period July 1, 1950 to June 30, 1951, provides for a balanced exchange of goods between Japan and the following sterling area countries: Australia, Ceylon, India, New Zealand, South Africa, United Kingdom, and British Colonies excluding Hongkong. Trade in either direction is estimated at £92.5 million, i.e., a total exchange of £185 million. This estimate compares with 1949-50 trade valued at £130 million. The principle at exact balance has been modified somewhat, however, in that,

subject to prior approval by the exchange control authorities concerned, Japan may be able to use any accrued sterling to purchase goods from countries outside the sterling area.

THAILAND

Rice Exports

The Government of Thailand has approved an increase in the prices of the most important grades of rice for export. An increase of US\$7.85 a ton raises the price of the best rice from US\$124.45 to US\$132.30 a ton. The prices of broken rice have been reduced to attract new markets for this type, the decreases ranging from US\$2.91 to US\$4.03 per ton.

Exporters will be allowed to export privately by paying customs duties at the rate of 56 baht per pound sterling (the free market rate), instead of at the official rate of 35 baht per pound sterling. (Foreign exchange proceeds must be turned in to the Government at the official rate).

Rice available for export in 1950 has been estimated at 1.2 million tons, of which Japan is to receive 400,000 tons and the British Commonwealth 430,000. Reports are that 1,114,551 tons have been exported thus far in 1950, yielding a net return of approximately US\$17 million and £32 million.

Rubber Exports

Thailand's rubber exports this year are estimated, by the Ministry of Agriculture, at 100,000 tons, the highest figure of any year since Thailand first entered the rubber trade. Since the end of the war, the increase in rubber exports has been steady: 21,072 tons in 1947; 95,255 tons in 1948; 95,882 tons in 1949. Exports from January to September this year exceeded 81,500 tons. In 1941 they were 47,000 tons.

INDONESIA

Foreign Trade

Exports from Indonesia in September totaled 724,380 metric tons valued at US\$69,946,572 (converted at the official rate of 3.8 rupiahs = US\$1), compared with 807,664 tons valued at US\$85,752,791 in August. This decrease was partly a result of the estate workers' strike in Java which impaired production of rubber, tea, coffee, and other estate products during the month. The latest available import statistics are for the month of August when 194,730 metric tons of commodities valued at US\$33,942,894 were imported.

The trade in petroleum and petroleum products continued to show a substantial improvement during 1950, as compared with the preceding year, and average monthly exports are now above the 1938 level. Exports in September showed a temporary drop as compared with August. Because of import requirements of crude petroleum for refining, as well as of aviation gasoline—which items are still not produced in sufficient quantities locally—average monthly imports of petroleum products are still larger than total annual prewar imports.

Food and Agriculture

The early west monsoon rainy season enabled field preparations and planting of sawah rice to be stepped up in October. The first official 1950 estimate of sawah rice production shows a slightly lower production than in 1949. Maximum wholesale rice prices were prescribed on October 10 in order to prevent further price increases. Rains have seriously affected tobacco harvesting and production in East Java. Sugarcane crushing was expected to be completed in November, but revised figures of 1949-50 sugar production (270,000 metric tons) are lower than previously estimated because of continued thefts, unfavorable weather conditions, and labor difficulties. An increased sugar area is expected for 1950-51, and production may reach 450,000 tons.

Labor

The first negotiated labor agreement General Agricultural Syndicate (ALS) ed in October by representatives of the in the history of the Republic was signed and the Estate Workers Union (SAR-BUPRI), ending the month-long strike of estate workers in Java and Sumatra. The Labor Ministry has issued a series of directives to be used as the basis for negotiations in the future, and representatives from the Mediation Service have taken an active part in settlement of strikes that occurred during the month.

The Labor Ministry has under consideration a series of new labor laws to replace regulations in effect before the unification of Indonesia on August 17. Considerable confusion has arisen because of the difference in laws applying in the various Federal states of the former United States of Indonesia.

Finance

According to a preliminary statement of the Ministry of Finance, the country's indebtedness increased by 79,000,000 rupiahs during the period August 30 to October 4 to a total of 5,694,000,000 rupiahs.

Government revenues from taxes, customs, and excise duties in the first 8 months of 1950 totaled 1,480,000,000 rupiahs, as compared with 624,000,000 rupiahs in the corresponding period of 1949.

The weekly balance sheets of the Java Bank for September 26 and October 25 reveal an increase of 81,172,000 rupiahs in the Bank's advances to the Indonesian Government, now totaling 2,206,059,000 rupiahs, and an increase in currency circulation of 187,325,000 rupiahs, making the total 2,587,190,000 rupiahs.

Trade in October

Indonesia's exports reached a record figure of 346 million rupiah in October. The value of rubber exports was 186.6 million rupiah; petroleum products, 49.7 million; copra 34.7 million; tin ore, 13.5 million; and coffee, 12.7 million.

Government Finance

Indonesia's revenue from taxes, customs, and excise duties in the first seven months of 1950 was 1.2 billion rupiah, more than double that of the corresponding period of 1949. From August 30 to September 26, 1950, the Java Bank's advances to the Government increased by 90.6 million rupiah, and currency in circulation increased by 89.9 million rupiah.

Export-Import Bank Credit

To November 6, 1950, the Export-Import Bank had allocated US\$46.2 million for five Indonesian projects including automotive transportation facilities, rail-

way, harbor, and road building, and communications. Negotiations are continuing on the uses of the remaining part of the US\$100 million credit earmarked for Indonesia.

Petroleum Production

Indonesian production of crude oil reached 526,000 metric tons and petroleum products 3.7 million metric tons in the period January-July 1950. On a seven months' basis, the annual rate of production in 1950 has exceeded the prewar annual rate of 630,000 tons of crude oil and 7.6 million tons for petroleum products.

Rubber Export Duty

The export duty on Indonesian rubber will be raised to 95 cents per kilogram in the first quarter of 1951, against 64.5 cents in the last quarter of 1950 and 36.4 cents in the third quarter.

Trade Agreements

Under a one year trade agreement signed by Indonesia and the Netherlands, Indonesia will export goods valued at 435 million rupiah and will import goods valued at 330 million rupiah. The export surplus is designed to enable Indonesia to pay the Netherlands for service and capital transfers.

The Netherlands-Indonesian Union Ministers Conference also agreed that it will be no longer mandatory for trade agreements with third countries in Europe to be concluded jointly by the Netherlands and Indonesia.

TAIWAN

Taiwan-Japan Trade

Under a contract signed on November 15 between the Chinese Nationalist Government and the Ministry of International Trade and Industry of the Japanese Government, 20,000 tons of Taiwan sugar will be exported to Japan by the end of this year, and 40,000 more tons by next February. This is in exchange for the 77,000 tons of ammonium sulphate imported by Taiwan from Japan this year.

Record Rice Crop

Taiwan's rice production this year is expected to exceed by a substantial margin the goal of 1.4 million metric tons that had been set for 1950, and to reach a new record figure. Last year 1.2 million tons were produced, and in 1945, 639,000 tons.

Subsidiary Currency

On November 8 the Executive Yuan approved "Measures Governing the Issuance of Subsidiary Currency" submitted by the provincial government of Taiwan, which authorizes the Bank of Taiwan to issue subsidiary currency in coins and notes up to 20 per cent of the total note issue outstanding, but with no more than half of this subsidiary currency in the form of notes. Taiwan provincial authorities announced on November 5 that the new Taiwan currency note issue as of the end of October totaled NT\$223,391,483.

Subsidiary coins will be issued in three denominations: 50-cent pieces of 72 per cent silver and 28 per cent copper; 20-cent pieces of aluminum; and 10-cent pieces of 95 per cent copper and 5 per cent zinc. Subsidiary notes are to be issued in five-cent and one-cent denominations. Government bonds and acceptable commodities will comprise the reserve fund for the subsidiary currency.

Provincial Budget for 1951.

The Taiwan Provincial Government has submitted to the Taiwan Provincial Council an amended budget for 1951,

HONGKONG'S METALS TRADE

The year that has just passed will be remembered in the local metals market as one marked by puzzling, abnormally erratic movements.

As the result of a general business depression, a very gloomy atmosphere had already set in to engulf the whole local metals market by the end of 1949. However, after January 6, 1950, when the British Government accorded recognition to the People's Government of China at Peking, a change for the better started to take place. There was still no large-scale trading in the market at that time, but a more buoyant and encouraging picture was in evidence. Unfortunately, during February and March, factory prices in Europe were repeatedly slashed, causing prices in Hongkong immediately to slump to below cost level. Although there was a rally later as a result of the workers' strike in France, prices soon receded again owing to the tight money situation locally. Traders were very hard hit by the slump, which brought back reminiscences of the worldwide depression of 1929 to 1934.

The dismal business conditions continued without a break for three or four months until the Chusan Islands fell to the Chinese Communists, when economic conditions in China gradually returned to normal and communications were step by step restored. Reconstruction plans in China resulted in the purchase of large quantities of metal products in Hongkong. With the outbreak of the Korean war and the resultant steady rise in replacement costs, trading activities increased and the market showed a general recovery. This sudden spurt of business, however, was short-lived as very soon the market quieted down again.

An important fact exerting a strong influence on the local metals market is the existence of a large number of export control measures. It should not be forgotten that Hongkong owes its importance as a great commercial port solely to its entrepot activities. The metal business, like all other trades, depends for its prosperity on the smooth and rapid transit of merchandise. The control measures which have been introduced are not only many but are becoming increasingly rigid and extensive in their application. Furthermore, with the world tension continuing to deteriorate, there is the possibility of all goods having military

value being subjected to even more stringent control. Consequently, as long as the international picture does not improve, the future business prospects of the local metals market must necessarily be looked upon with due reserve. Merchant circles are unanimous in their hope for peace, but it is imperative that they take all necessary precautions in order adequately to meet any situation that may arise.

From all indications now in evidence, the business prospects of the metals trade in Hongkong this year are far from assuring. Local stocks are almost depleted and with all supplying countries prohibiting or strictly controlling the export of strategic materials, to obtain replenishments has become extremely difficult, if not entirely impossible. No one at this juncture will venture to guess as to when new shipments may be procured, but the prevailing opinion is that there is little hope of fresh supplies coming in within the foreseeable future.

Among local manufacturing circles depending on foreign metal imports, the effects of a raw material shortage have grown steadily worse since the United States announced an embargo on strategic exports to this part of the world. A pessimistic outlook has become almost general and there is unconcealed anxiety over the future. The situation is fast growing acute and a crisis it is feared may hit the industry within the next two or three months. It is reported that most of the Hongkong factories producing metal goods have now almost reached the bottom of their raw material stockpiles. Unless new shipments are received soon these plants will not be able to keep on producing much longer and the only alternative will be closure.

According to an executive of a factory using large quantities of metals, the principal metal products needed by the local manufacturers are various forms of steel, aluminium and brass. The major suppliers in the past have been the United Kingdom, France, Belgium, Switzerland, West Germany, the United States, Canada and Japan. Apart from the United States, which has already stopped shipments to Hongkong for some months, all the others have now imposed an embargo or very severe restrictions on exports to this city. The United Kingdom ceased to accept orders since November last year, although goods previously contracted for are still continuing to arrive, and while Japanese producers are still accepting orders no definite time can be fixed for deliveries owing to the export restrictions enforced by SCAP.

While intensive efforts are still being continued to persuade the United States government to maintain the industries in Hongkong by supplying them with raw materials, these efforts have up to now met with no

covering provincial and local expenditures, totaling approximately NT\$360 million (equivalent to about US\$35 million), which is about NT\$30 million more than the 1950 budget. About one quarter of the total is for education. Expenditures for highway, engineering, and maintenance projects are budgeted at NT\$74 million, and for water conservation, construction and engineering projects, at about NT\$28 million.

success. All hope has not been given up, but local industrialists are not too optimistic about the situation. Their point of view is based on the fact that with the world vigorously working at rearmament, there will be a fundamental shortage of metals for both military and civilian use. In America itself, it is estimated that some 300 industries may be deprived of the use of essential metals as from March this year. As to the United Kingdom, France, Belgium and other countries, practically all their output will be needed for the prosecution of their rearmament programmes, while Japan is not allowed to export such materials without the specific approval of SCAP. The question has thus become one not only of political significance, but also involves the far more important factor of availability.

With their stocks of raw materials nearly exhausted, many hardware and other factories have successively cut down production. Less than a week before the Chinese New Year, the Union Metal Works, Ltd., a leading firm producing pressure lanterns with factory on Castle Peak Road, announced temporary suspension owing to a shortage of brass and aluminium. This enterprise placed orders in Europe and Japan for raw materials sufficient to meet its normal requirements for nine months, but of these shipments only those ordered from British manufacturers prior to last November are expected to arrive, while the time for the delivery of the remainder will depend on world developments. The suspension of this manufactory is generally taken as indicative of the hardships that are facing the local metal factories, and it is feared will lead to an accentuation of the local labour unemployment problem.

Meanwhile, the market demand for locally made hardware and other metal goods is reported to be very brisk. Orders are coming to the producers in an unending stream from an ever-lengthening list of countries, such as Indonesia, the Philippines, British Malaya, India, Pakistan and the Middle East nations. Previously, comparatively small quantities of metals were imported from the United States because of the higher costs of American products, but today the matter of price no longer presents a problem. Local

Hongkong Aviation Report for January 1951

	Arrivals			Departures		
	No. of Passengers	Mail (Kgs.)	Freight (Kgs.)	No. of Passengers	Mail (Kgs.)	Freight (Kgs.)
United Kingdom	77	9,258	23,512	135	5,857	8,804
Europe	57	390	8,254	137	103	789
Middle East	82	148	5,331	76	360	1,399
Calcutta	37	250	369	63	194	3,091
Rangoon	31	89	7	112	172	2,932
Singapore	188	1,850	18,515	292	4,288	12,074
Bangkok	536	1,096	16,081	612	522	10,428
French-Indochina	562	508	7,730	434	450	3,690
Macao	NIL	NIL	NIL	1	NIL	NIL
Philippine	390	498	5,669	525	896	8,357
Japan	391	5,031	18,142	412	7,718	20,566
U. S. A.	23	NIL	717	247	2,637	1,767
Australia	33	2,624	7,589	84	2,270	1,103
China	280	1,429	7,104	381	968	47,695
Honolulu	16	NIL	56	125	72	492
Canada	12	171	37	153	194	14
	2,715	23,342	119,113	3,789	26,701	123,201

Total Aircraft arriving: 246

Total Aircraft departing: 248.

The fact that Kaitak airfield in Hongkong is able to provide for the operation of 12 different airlines, makes it second only to New York which is considered the largest airfield in the world and which accommodates 20 airlines, domestic and foreign.

During 1949, before the Chinese communist party had completely taken over the government of China, Kaitak was accommodating on the average over 2000 planes arriving and departing each month; in 1950 the number fell to an average total of around 440 per month due to the cancellation of the routes over China flown by the two large Chinese concerns the China National Aviation Corporation (C.N.A.C.) and the China Air Transport Corp. (C.A.T.C.). There is no doubt that the conclusion of the Korean war, if followed by a period of peaceful reconstruction in the Far East should see a considerable development in the use of aircraft for the transportation not only of passengers but also of freight and mails. The facilities offered by aviation

with the progress shown in the attainment of speed and safety, are admirably suited to the huge tracts of country existing in China.

In the course of 1950, runways at Kaitak were lengthened and reinforced, to enable them to take the large planes now used for flights between London and the U.S.A. and Hongkong.

A survey of the site proposed for a new civilian airfield at Deep Bay in the New Territories was completed at the end of the year.

British Overseas Airways Corp.

The new fast service by Argonaut to London which was instituted by the BOAC at the beginning of November has met with success. The service enables passengers to leave Hongkong on Mondays, Thursdays and Fridays at 7 a.m. and to arrive in London at 9.35 the following evening.

Hongkong Airways Limited

Hongkong Airways Limited are now operating three services weekly from Hongkong to Taipeh. A Dakota leaves Hongkong on Mondays, Tuesdays and Saturdays.

The Hongkong/Taipeh service by Skymaster in conjunction with Northwest Airlines, continues to operate every Wednesday from Hongkong.

industrial circles stress that the question today is not one of finding a market as during the earlier part of last year, but one of securing an adequate supply of raw materials, even at reasonably higher price levels so long as supplies are available.